COVER SHEET

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S.E.C Registration Number

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B	R	G	Y.		U	G	O	N	G,	P	A	S	I	G		C	I	T	Y											

(Business Address: No. Street City / Town / Province)

ATTY. WILLIAM S. PAMINTUAN	(632) 8632-8014
Contact Person	Company Telephone Number

Amended
Definitive Information Statement

1	2	-	3	1		2	0	-	I	S		0	6		3	0
Month	Day				FORM TYPE							Month		Day		

Fiscal Year | Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.		Art. I, Sec. 1 of the By-Laws
		Amended Articles Number/Section

Total Amount of Borrowings

39,940 (as of APR 2026)		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number	LCU
STAMPS	
Document I.D.	Cashier

Manila Electric Company
(the "Company" or "MERALCO")

2026 Annual Stockholders' Meeting
Amended Definitive Information Statement

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO ALL STOCKHOLDERS
Manila Electric Company (Meralco)

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Meralco will be conducted at the Meralco Theater, Lopez Building, Ortigas Ave., Barangay Ugong, Pasig City and via https://company.meralco.com.ph/corporate-governance/voting-in-absentia on Tuesday, June 30, 2026, at 10:00 a.m. with the following agenda:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on May 27, 2025
4. Report of the Chief Executive Officer
5. Approval of the 2025 Audited Consolidated Financial Statements
6. Ratification of Acts of the Board and Management
7. Election of Directors for the ensuing year
8. Appointment of External Auditors
9. Other business that may properly be brought before the meeting
10. Adjournment

The Board has fixed the close of business on **April 10, 2026** as the record date for the determination of stockholders entitled to notice of, and to vote at, the meeting. The stock and transfer books of Meralco will not be closed.

Nominations for regular and independent directors to the Company shall be filed with the Office of the Corporate Secretary c/o Corporate Governance and Compliance Office, Ground Floor, Lopez Bldg., Meralco Center, Ortigas Avenue, Brgy. Ugong, Pasig City. The deadline for submission of nominations shall also be on **April 10, 2026**.

In accordance with Article I, Section 3 of the Company's Amended By-Laws, any instrument authorizing a proxy to act shall be submitted to and received at the principal office of Meralco on or before **June 2, 2026, 5:00 p.m.,** addressed to the attention of the Corporate Secretary c/o Corporate Governance and Compliance Office at the address indicated above. Soft copies of the proxies can be emailed in advance to stockholder.affairs@meralco.com.ph. Validation of proxies is set on **June 16, 2026, 10:00 a.m.** at Meralco Compound, Ortigas Avenue, Brgy. Ugong, Pasig City.

The conduct of the annual stockholders' meeting will also be streamed live, and stockholders may attend and participate via remote communication and vote in absentia, using the online portal https://company.meralco.com.ph/corporate-governance/voting-in-absentia. The guidelines for online voting and participation is set forth in Annex "C" of the Definitive Information Statement downloadable at the Company's and Philippine Stock Exchange EDGE's respective websites.

The Information Statement, Proxy Form, 2025 Management Report/Annual Report for the year ended December 31, 2025 in SEC Form 17-A, Quarterly Report for the first quarter of 2026 in SEC Form 17-Q and other pertinent documents may also be downloaded, without charge from the Company's and the Philippine Stock Exchange EDGE's respective websites.

Pasig City, May 21, 2026.

[redacted]

WILLIAM S. PAMINTUAN
Assistant Corporate Secretary

WE ARE NOT SOLICITING YOUR PROXY

Stockholders who will not, are unable or do not expect to attend the meeting but would like to be represented thereat may choose to execute and send a proxy form. The proxy form and additional documents required as indicated in Annex C of the Information Statement should be submitted to and received at the principal office of MERALCO located at the G/F Lopez Building, Ortigas Avenue, Brgy. Ugong, Pasig City, on or before June 2, 2026, 5:00 p.m., addressed to the attention of the Corporate Secretary c/o Corporate Governance and Compliance office. Soft copies of the proxies can be emailed in advance to stockholder.affairs@meralco.com.ph.

PROXY

The undersigned stockholder of MANILA ELECTRIC COMPANY (the "Corporation") hereby appoints _____ or in his absence, the Chairman of the meeting, as attorney-in-fact and proxy, with power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on June 30, 2026 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of the Minutes of the Annual Meeting of Stockholders held on May 27, 2025

   ☐ Yes ☐ No ☐ Abstain

2. Approval of the 2025 Audited Consolidated Financial Statements

   ☐ Yes ☐ No ☐ Abstain

3. Ratification of Acts of the Board and Management

   ☐ Yes ☐ No ☐ Abstain

4. Election of Directors for the Ensuing Year

   For the election of Directors, the registered Stockholder, or his/her proxy, may vote for all nominees or cumulate his vote for one or some of the nominees provided that the total number of allowable votes will not exceed the number of shares multiplied by the number of Board seats (Number of Shares x 11 Directors= Number of Voting Shares).

4.1	Ms. June Cheryl A. Cabal-Revilla	☐ Yes	_____	Shares
4.2	Ms. Lydia B. Echauz (Independent Director)	☐ Yes	_____	Shares
4.3	Atty. Ray C. Espinosa	☐ Yes	_____	Shares
4.4	Mr. James L. Go	☐ Yes	_____	Shares
4.5	Mr. Patrick Henry C. Go	☐ Yes	_____	Shares
4.6	Mr. Lance Y. Gokongwei	☐ Yes	_____	Shares
4.7	Mr. Jose Ma. K. Lim	☐ Yes	_____	Shares
4.8	Mr. Bernido H. Liu (Independent Director)	☐ Yes	_____	Shares
4.9	Mr. Manuel V. Pangilinan	☐ Yes	_____	Shares
4.10	Ms. Bernadine T. Siy (Independent Director)	☐ Yes	_____	Shares
4.11	Mr. Victorico P. Vargas	☐ Yes	_____	Shares

5. Appointment of External Auditors

   ☐ Yes ☐ No ☐ Abstain

6. Other Business that may properly be brought before the meeting

   ☐ Yes ☐ No ☐ Abstain

_____
PRINTED NAME OF STOCKHOLDER

_____
SIGNATURE OF STOCKHOLDER / AUTHORIZED PROXY

_____
EMAIL ADDRESS AND MOBILE PHONE NO.

_____
DATE

This proxy is not required to be notarized, and when properly executed, will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted "FOR" the election of all nominees and for the approval of the matters stated above and for such other matters as may properly be brought before the meeting in the manner described in the information statement and/or as recommended by management or the board of directors.

A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
Information Statement Pursuant to Section 20
of the Securities Regulation Code (SRC)

1. Check the appropriate box:
   (✓) Preliminary Information Statement
   (✓) **Definitive Information Statement**

2. Name of Registrant as specified in its charter: **Manila Electric Company**

3. Country of Incorporation: **Philippines**

4. SEC Identification Number: **PW-102**

5. BIR Tax Identification Number: **000-101-528-000**

6. Address of principal office: **Lopez Building, Ortigas Avenue, Barangay Ugong, Pasig City 1605**

7. Telephone Numbers: **(632) 8633-4553**

8. Date, time, and place of meeting of security holders:

   Date : June 30, 2026
   Time : 10:00 a.m.
   Place : Meralco Theater, Lopez Building, Ortigas Avenue, Barangay Ugong, Pasig City and virtually via https://company.meralco.com.ph/corporate-governance/voting-in- absentia

9. Approximate Date on which the Information Statement is first to be sent or given to security holders: **June 1, 2026**

10. In case of Proxy Solicitations:
    Name of Person Filing the Statement/Solicitor: **William S. Pamintuan on behalf of the Registrant**
    Address and Telephone Number: **Lopez Building, Ortigas Avenue, Barangay Ugong, Pasig City, (02) 8632 8014**

11. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA:

Title of Each Class	**Number of Shares Outstanding as of April 30, 2026** (Par Value at P10.00 per share)
Common	1,127,092,509
Debt Securities	None

11. Are any or all of these securities listed on a Stock Exchange?

Yes _x_ No ____

If so, disclose the name of the Exchange and the class of securities listed therein: **Philippine Stock Exchange/Common Stock**

A. GENERAL INFORMATION REQUIRED IN INFORMATION STATEMENT

Item 1: Date, Time, and Place of Meeting of Security Holders

Date : Tuesday, June 30, 2025
Time : 10:00 a.m.
Place : Meralco Theater, Lopez Building, Ortigas Ave., Barangay Ugong, Pasig City

Virtually via https://company.meralco.com.ph/corporate-governance/voting-in-absentia
(For voting in absentia and participation via remote communication)

Principal Office: Lopez Building, Ortigas Avenue, Barangay Ugong, Pasig City, 1605

The approximate date on which copies of the Information Statement are first to be sent or given to stockholders is on June 1, 2026.

Item 2: Dissenter's Right of Appraisal

Under Section 80, Title X – Appraisal Right of the Revised Corporation Code of the Philippines, a stockholder may exercise the right of appraisal (i.e. the right to dissent and demand payment of the fair value of his shares) in the instances provided under the Revised Corporation Code of the Philippines, as follows: 1) in case an amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; 2) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in this Code; 3) in case of merger or consolidation; and 4) investment of corporate funds for any purpose other than the primary purpose of the corporation.

Under Section 81, Title X – How Right is Exercised, Revised Corporation Code of the Philippines, the dissenting stockholder who votes against a proposed corporate action may exercise the right of appraisal by making a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken: *Provided*, that failure to make the demand within such period shall be deemed a waiver of the appraisal right.

Manila Electric Company ("*MERALCO*" or the "Company") adopts the procedure laid down in Section 81, Title X, of the Revised Corporation Code for a valid exercise of appraisal right.

No corporate actions, however, will be taken up during the meeting involving any of the foregoing instances in which a stockholder may exercise the right of appraisal.

Item 3: Interest of Certain Persons in or Opposition to Matters to be Acted Upon

a) No current director or officer, or nominee for election as director or any of his associate, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than election to office.

b) No director has informed the Company that he intends to oppose any action to be taken at the annual stockholders' meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4: Voting Securities and Principal Holders Thereof

THE COMPANY IS NOT SOLICITING PROXIES FOR THE ANNUAL STOCKHOLDERS' MEETING.

As of April 30, 2026, the total outstanding shares/voting shares is 1,127,092,509 common shares, of which 5.47% or 61,630,281 shares are owned by foreign stockholders. Each share is entitled to one (1) vote. Voting rights are vested exclusively on common shares.

All stockholders as of record date April 10, 2026 are entitled to receive a notice of the meeting.

Cumulative Voting for Directors - At all elections of Directors, each stockholder may vote the shares registered in his name in person or by proxy as of the record date April 10, 2026, for as many persons as there are Directors, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

Management is not aware of any arrangement which may result in a change in control of the Company.

Security Ownership of Certain Record and Beneficial Owners

Based on the Company's stock and transfer book, the security ownership as of April 10, 2026 of certain record and beneficial owners of more than 5% of any class of its voting securities is as follows:

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizen ship	No. of Shares Held	Percent
Common	**Beacon Electric Asset Holdings, Inc.** Unit 9-2 9/F Net One Center, 26th corner 3rd Avenue, Bonifacio Global City, Taguig City Stockholder	Same as the record owner	Filipino	394,059,235	34.96%
Common	**JG Summit Holdings, Inc.** 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center Pasig City Stockholder	Same as the record owner	Filipino	297,189,397	26.37%

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizen ship	No. of Shares Held	Percent
Common	**Philippine Central Depository ("PCD") Nominee Corporation** 29th Floor, BDO Equitable Tower 8751 Paseo de Roxas, Makati City 1226 No relationship with Issuer	PCD Participants	Filipino and Foreign	166,801,008	14.80%
Common	**Metro Pacific Investments Corporation** 9/F Tower 1, Rockwell Business Center, Ortigas Avenue, Pasig City Stockholder	Same as the record owner	Filipino	140,906,807	12.50%

Beacon Electric Asset Holdings, Inc. ("Beacon Electric") is a special purpose entity wholly owned by Metro Pacific Investments Corporation ("MPIC"). Mr. Manuel V. Pangilinan, Ms. June Cheryl A. Cabal-Revilla, Mr. Jose Ma. K. Lim, Atty. Ray C. Espinosa, Mr. Victorico P. Vargas, or the Chairman of the Stockholders' Meeting of *MERALCO*, is duly authorized as proxy to vote its *MERALCO* shares as he or she may deem proper or beneficial to Beacon Electric.

JG Summit Holdings, Inc. ("JG Summit") was incorporated in November 1990 as the holding company for a group with substantial business interests in branded consumer foods, agro-industrial and commodity food products, real estate and property development, and air transportation. In addition, JG Summit has core investments in other sectors, including power, telecommunications, and financial services. It has also forayed into digital banking, logistics, and airport infrastructure. JG Summit conducts its businesses throughout the Philippines, but primarily in and around Metro Manila and in the regions of Visayas and Mindanao. JG Summit, through its subsidiaries, also has branded foods businesses in the ASEAN region and an interest in a property development company in Singapore. Each of Mr. James L. Go and Mr. Lance Y. Gokongwei are duly authorized as proxies to vote its *MERALCO* shares as they may deem proper or beneficial to JG Summit.

PCD Nominee Corporation is a wholly owned subsidiary of the Philippine Depository and Trust Corporation ("PDTC"). Originally, stock certificates were issued to investors every time they acquired shares of the Company. However, with the Philippine Central Depository's ("PCD") computerized Book Entry System that took effect in November 1997, investors of *MERALCO* shares now have an option whether they will be issued certificates or not. Their shares may be lodged at the PCD, and further trading will be scripless (computerized with no certificates) until they request for the issuance of certificates. The PCD Nominee Corporation holds the shares as the registered owner thereof in *MERALCO*'s books on behalf of PCD Participants and their clients. The participants of PCD are the beneficial owners of such shares and may be nominated as proxy to vote the same. Stockholders with PCD-lodged shares have no record of their shareholdings with *MERALCO* or its transfer agent, Rizal Commercial Banking Corporation. Only shares with stockholders' certificates are recorded in *MERALCO*'s books, which may be voted by the registered owners or their proxies.

Metro Pacific Investments Corporation ("MPIC") is a leading Philippine infrastructure investment and management company committed to nation-building. MPIC develops and manages some of the Philippines' most vital infrastructure assets and facilities through strategic investments and partnerships, spanning

power, toll roads, water, light rail, healthcare, real estate, and agriculture. Aside from *MERALCO*, its operating companies include, Metro Pacific Tollways Corporation (MPTC), Maynilad Water Services (Maynilad), MetroPac Water Investments Corporation (MPW), Light Rail Manila Corporation (LRMC), METPower Venture Partners (METPower), Metro Pacific Health Corporation (MPH), Metro Pacific Health Tech Corporation (mWell), Landco Pacific Corporation (LandCo), and Metro Pacific Agro Ventures, Inc. (MPAV).

Mr. Manuel V. Pangilinan, Ms. June Cheryl A. Cabal-Revilla, Mr. Jose Ma. K. Lim, Atty. Ray C. Espinosa, Mr. Victorico P. Vargas, or the Chairman of the Stockholders' Meeting of *MERALCO*, is duly authorized as proxy to vote its *MERALCO* shares as he or she may deem proper or beneficial to *MPIC*.

Security Ownership of Management

As of May 11, 2026, the securities owned beneficially, directly or indirectly, by directors and executive officers of *MERALCO* are as follows:

No.	Title of Class	Name of Beneficial Owner	Number of Shares and nature of Beneficial Ownership		Citizen ship	Percent of Class
1.	Common	Manuel V. Pangilinan	98,000	Direct and Indirect	Filipino	0.01%
2.	Common	Lance Y. Gokongwei	34,313	Direct and Indirect	Filipino	0.00%
3.	Common	Ray C. Espinosa	71,000	Direct and Indirect	Filipino	0.01%
4.	Common	June Cheryl A. Cabal-Revilla	10,010	Direct	Filipino	0.00%
5.	Common	Lydia B. Echauz	21,100	Direct and Indirect	Filipino	0.00%
6.	Common	Patrick Henry C. Go	6,677	Direct	Filipino	0.00%
7.	Common	Victorico P. Vargas	28,917	Direct and Indirect	Filipino	0.00%
8.	Common	Jose Ma. K. Lim	183,910	Direct and Indirect	Filipino	0.02%
9.	Common	James L. Go	214,450	Direct and Indirect	Filipino	0.02%
10.	Common	Pedro Emilio O. Roxas	6,000	Direct	Filipino	0.00%
11.	Common	Artemio V. Panganiban	37,251	Direct and Indirect	Filipino	0.00%
12.	Common	Simeon Ken R. Ferrer	767	Direct	Filipino	0.00%
13.	Common	Ronnie L. Aperocho	14	Direct	Filipino	0.00%
14.	Common	Maria Luisa V. Alvendia	–	–	Filipino	0.00%
15.	Common	Roque D. Bacani	–	–	Filipino	0.00%
16.	Common	Arnel Paciano D. Casanova	–	–	Filipino	0.00%
17.	Common	Redel M. Domingo	–	–	Filipino	0.00%
18.	Common	Ferdinand O. Geluz	15,877	Direct and Indirect	Filipino	0.00%
19.	Common	Melanie T. Oteyza	–	–	Filipino	0.00%
20.	Common	Charina P. Padua	42,609	Indirect	Filipino	0.00%
21.	Common	William S. Pamintuan	–	–	Filipino	0.00%
22.	Common	Froilan J. Savet	8,435	Direct	Filipino	0.00%

23.	Common	Betty C. Siy-Yap	–	–	Filipino	0.00%
24.	Common	Jose Ronald V. Valles	–	–	Filipino	0.00%
25.	Common	Bennette D. Bachoco	–	–	Filipino	0.00%
26.	Common	Jerry B. Lao	–	–	Filipino	0.00%
27.	Common	Hans Joachim R. Montenegro	-	200	Filipino	0.00%
28.	Common	Ross Raymond B. Ravelo	–	–	Filipino	0.00%
29.	Common	Francis Euston R. Acero	500	Indirect	Filipino	0.00%
30.	Common	Ireneo B. Acuña	18,355	Direct	Filipino	0.00%
31.	Common	Luisito B. Acuña	1,525	Indirect	Filipino	0.00%
32.	Common	Eddie John V. Adug	235	Direct	Filipino	0.00%
33.	Common	Joseph L. Amosco	5,198	Direct	Filipino	0.00%
34.	Common	Aldwin Christian C. Ang	400	Indirect	Filipino	0.00%
35.	Common	Francis Dino S. Antonio	1,203	Indirect	Filipino	0.00%
36.	Common	Remigio R. Angeles, Jr.	1,075	Direct and Indirect	Filipino	0.00%
37.	Common	Patrick Dave B. Bacani	–	–	Filipino	0.00%
38.	Common	Joseph Allan C. Baltazar	–	–	Filipino	0.00%
39.	Common	Christopher Redeemson R. Brocales			Filipino	0.00%
40.	Common	Sante C. Buella	–	–	Filipino	0.00%
41.	Common	Ricardo Carmelo D. Buenafe	6,070	Indirect	Filipino	0.00%
42.	Common	Alberto N. Castillo	600	Direct	Filipino	0.00%
43.	Common	Ma. Cecilia M. Domingo	1,495	Indirect	Filipino	0.00%
44.	Common	Lawrence S. Fernandez	4,500	Indirect	Filipino	0.00%
45.	Common	Marvin G. Gonsalves	11,780	Direct and Indirect	Filipino	0.00%
46.	Common	Roberto D. Isip, Jr.	2	Direct	Filipino	0.00%
47.	Common	Edeliza T. Lim	–	–	Filipino	0.00%
48.	Common	Ariel G. Lucas	–	–	Filipino	0.00%
49.	Common	Erville D. Magtubo	20	Indirect	Filipino	0.00%
50.	Common	Ralph M. Menchavez	–	–	Filipino	0.00%
51.	Common	Joy P. Mendoza	1,590	Direct	Filipino	0.00%
52.	Common	Roderick Dennison N. Nacu	31	Direct	Filipino	0.00%
53.	Common	Noel S. Porciuncula	144	Direct	Filipino	0.00%
54.	Common	Paul Jayson I. Ramos	–	–	Filipino	0.00%
55.	Common	Jose S. Reyes, Jr.	8,827	Direct and Indirect	Filipino	0.00%
56.	Common	Andrew Jason B. Tan	3,000	Indirect	Filipino	0.00%
57.	Common	Jeffrey O. Tarayao	–	–	Filipino	0.00%
58.	Common	Marilene P. Tayag	–	–	Filipino	0.00%
59.	Common	Paola Marguerite A. Verayo	–	–	Filipino	0.00%
60.	Common	Maria Zarah R. Villanueva-Castro	–	–	Filipino	0.00%
61.	Common	Jocelyn C. Villar-Altamira	–	–	Filipino	0.00%
62.	Common	Agapito R. Zaldarriaga	10,369	Direct and Indirect	Filipino	0.00%

As of May 11, 2026, the securities owned beneficially by the nominees for election to the Board of Directors are as follows:

No.	Title of Class	Name of Beneficial Owner	Number of Shares and nature of Beneficial Ownership		Citizen ship	Percent of Class
1.	Common	Manuel V. Pangilinan	98,000	Direct and Indirect	Filipino	0.01%
2.	Common	Lance Y. Gokongwei	34,313	Direct and Indirect	Filipino	0.00%
3.	Common	Ray C. Espinosa	71,000	Direct and Indirect	Filipino	0.01%
4.	Common	June Cheryl A. Cabal-Revilla	10,010	Direct	Filipino	0.00%
5.	Common	Lydia B. Echauz	21,100	Direct and Indirect	Filipino	0.00%
6.	Common	Patrick Henry C. Go	6,677	Direct	Filipino	0.00%
7.	Common	Victorico P. Vargas	28,917	Direct and Indirect	Filipino	0.00%
8.	Common	Jose Ma. K. Lim	183,910	Direct and Indirect	Filipino	0.02%
9.	Common	James L. Go	214,450	Direct and Indirect	Filipino	0.02%
10.	Common	Bernido H. Liu	10	Direct	Filipino	0.00%
11.	Common	Bernadine T. Sy	18,100	Direct and Indirect	Filipino	0.00%

The aggregate number of shares owned on record by the Chief Executive Officer, Executive Officers, Directors, and Nominees as of May 11, 2026 is 874,559 shares or 0.08% of *MERALCO*'s total outstanding shares.

Voting Trust Holders

The Company is not aware of any person holding more than 5% of common shares under a voting trust or similar agreement.

Changes in Control

Based on the Company's stock and transfer book, there has been no change in the control of *MERALCO* since the beginning of the last fiscal year.

Item 5: Directors and Executive Officers

As of May 11, 2026, the names of the incumbent Directors, nominees for election as directors and Executive Officers of *MERALCO* and their respective ages, citizenship, current positions, periods of service and business experiences during the past five (5) years are as follows:

DIRECTORS

MANUEL V. PANGILINAN
Filipino, 79 years old
Chairman, Board of Directors
Chairman, Executive Committee
Chairman, Remuneration and Leadership Development Committee
Chairman, Sustainability Committee
Chief Executive Officer
Director since May 26, 2009

Education and Training:
- BA Economics, Ateneo De Manila University
- Master's in Business Administration, Wharton School of Finance and Commerce University of Pennsylvania

Membership on the Board of Listed Companies:
- Maynilad Water Services, Inc., *Chairman*
- PLDT Inc., *Chairman, President and Chief Executive Officer*
- Philex Mining Corporation, *Chairman*
- PXP Energy Corporation, *Chairman*
- Roxas Holdings, Inc., *Vice-Chairman*
- SP New Energy Corporation, *Chairman*
- Axelum Resources Corporation, *Director*

Membership on the Board of Non-Listed Companies, Foundations and other Organizations:
- Associated Broadcasting Corporation [TV5], *Chairman*
- Beacon Electric Asset Holdings, Inc., *Chairman*
- First Pacific Company Limited, *Chief Executive Officer and Managing Director*
- Global Business Power Corporation, *Chairman*
- Kayana Solutions, Inc., *Chairman*
- Landco Pacific Corporation, *Chairman*
- Light Rail Manila Corporation, *Chairman*
- Mediaquest Holdings, Inc., *Chairman*
- Meralco Power Foundation, *Chairman*
- Meralco PowerGen Corporation, *Chairman*
- METPower Ventures Partners, *Chairman*
- MetroPac Water Investments Corporation, *Chairman*
- Metro Pacific Agro Ventures, Inc., *Chairman*
- Metro Pacific Foundation, *Chairman*
- Metro Pacific Health Corporation, *Chairman*
- Metro Pacific Investments Corporation, *Chairman, President and Chief Executive Officer*

- Metro Pacific Tollways Corporation, *Chairman*
- MVP Sports Foundation, Inc., *Chairman*
- NLEX Corporation, *Chairman*
- One Meralco Foundation, Inc., *Chairman*
- Philippine Business for Education
- Philippine Business for Social Progress, *Chairman*
- Philippine Disaster Resilience Foundation (PDRF), *Co-Chairman*
- PLDT Communications and Energy Ventures, Inc., *Chairman, President and CEO*
- PLDT-Smart Foundation, Inc., *Chairman*
- PT Indofood Sukses Makmur Tbk (Indonesia), *President Commissioner*
- Samahang Basketbol ng Pilipinas, *Chairman Emeritus*
- San Beda College, *Chairman*
- Smart Communications, Inc., *Chairman*
- Stratbase Albert del Rosario Institute, *Co-Chairperson of the Board of Trustees*
- Terra Solar Philippines, Inc., *Chairman*
- US-Philippines Society, *Co-Chairman*

In recognition of Mr. Pangilinan's contributions to the country, the Philippine Air Force awarded him the rank of Lieutenant Colonel (Res) in a promotion list approved by the Philippine President in July 2021. In 2010, the Office of the President of the Philippines awarded Mr. Pangilinan the Order of Lakandula with the rank of Bayani.

Mr. Pangilinan was awarded the First Honorary Doctorate Degree in Management by the Asian Institute of Management in 2016, Honorary Doctorate in Science by Far Eastern University in 2010, in Humanities by Holy Angel University in 2008, by Xavier University in 2007 and by San Beda College in 2002 in the Philippines. He was formerly Chairman of the Board of Trustees of the Ateneo de Manila University and was a member of the Board of Overseers of the Wharton School.

LANCE Y. GOKONGWEI
Filipino, 59 years old
Vice-Chairman, Board of Directors
Vice-Chairman, Executive Committee
Member, Finance Committee
Member, Remuneration and Leadership Development Committee
Member, Sustainability Committee
Director since December 16, 2013

Education and Training:
- BS Finance, Wharton School of Finance and Commerce, University of Pennsylvania
- BS Applied Science, Penn Engineering School, University of Pennsylvania

Membership on the Board of Listed Companies:
- Altus Property Ventures, Inc.
- Cebu Air, Inc., *Chairman*
- JG Summit Holdings, Inc., *President and Chief Executive Officer*
- Oriental Petroleum and Minerals Corporation
- Robinsons Land Corporation, *Chairman*
- Robinsons Retail Holdings, Inc.

- Shakey's Asia Pizza Ventures, Inc.
- Singapore Land Group Limited
- SP New Energy Corporation
- Universal Robina Corporation, *Chairman*

Membership on the Board of Non-Listed Companies, Foundations, and other Organizations:
- AB Capital and Investment Corporation
- Ateneo de Manila University, *Trustee and Chairman of the Finance Committee*
- Gokongwei Brothers Foundation, Inc., *Chairman and Trustee*
- JG Summit Olefins Corporation, *Chairman*
- World Economic Forum, Global Leaders for Tomorrow Program

JUNE CHERYL A. CABAL-REVILLA
Filipino, 52 years old
Chairperson, Finance Committee
Member, Audit Committee
Member, Nomination and Governance Committee
Member, Sustainability Committee
Director since May 30, 2023

Education and Training:
- Bachelor of Science in Accountancy, De La Salle University
- Master's in Business Management, Major in Finance, Asian Institute of Management
- Executive Program, Stanford Graduate School of Business
- Sustainability Management, Swedish Institute Management Program
- Innovative Dynamic Education and Action for Sustainability, MIT Sloan School of Management

Membership on the Board of Non-Listed Companies, Foundations, and other Organizations:
- AF Payments, Inc.
- Asia Institute of Management
- Beacon Electric Asset Holdings, Inc.
- De La Salle University
- Gabay Guro, *Chairman*
- Indra Philippines, Inc.
- Landco Pacific Corporation, *Vice-Chairman*
- Light Rail Manila Corporation
- Maynilad Water Services, Inc.
- Meralco PowerGen Corporation
- Met Power Corporation
- Metro Pacific Hospital Holdings, Inc.
- Metro Pacific Health Tech Corporation - *President and Chief Executive Officer*
- Metro Pacific Investments Corporation, Executive Vice President, *Chief Finance, Sustainability & Risk Officer*
- Metro Pacific Investments Foundation, Inc.
- Metro Pacific Agro Ventures
- Metro Pacific Tollways Corporation
- Metro Pacific Water Investments Corporation
- MPIC Beneficial Trust Fund

- Philippine Coastal Storage and Pipeline Corporation
- Philippine Disaster Resilience Foundation, *Trustee and Chief Finance Officer*
- Philippines-Japan Economic Cooperation Committee, Inc.
- TOYM Foundation, *President*

Ms. Revilla is also an appointed member of the Financial Reporting and Sustainability Standards Council of the Philippines. She is also a Founding Member of the Asia Pacific Chapter of the Accounting for Sustainability Chief Financial Officers Leadership Network established by the Prince of Wales.

LYDIA B. ECHAUZ
Filipino, 78 years old
Member, Finance Committee
Member, Audit Committee
Member, Nomination and Governance Committee
Independent Director since May 25, 2021

Education and Training:
- Bachelor of Arts, Major in Economics and Mathematics, St. Theresa's College
- Master's in Business Administration, Ateneo de Manila University
- Doctor of Business Administration, De La Salle University

Membership on the Board of Listed Companies:
- D&L Industries, Inc., *Independent Director*
- Shell Pilipinas Corporation, *Independent Director*
- SP New Energy Corporation, *Independent Director*

Membership on the Board of Non-Listed Companies, Foundations, and other Organizations:
- Akademyang Filipino Association Inc., *Trustee*
- FERN Realty Corporation
- Henry Sy Foundation, Inc. *Executive Director*
- Mano Amiga Academy, *Trustee*
- Museo del Galeon Foundation, Inc., *Trustee*
- NBS Educational Services, Inc., *Vice-Chairperson*
- Riverside College Inc.
- SM Foundation, Inc., *Independent Trustee*

RAY C. ESPINOSA
Filipino, 70 years old
President and CEO from May 28, 2019 to May 30, 2023
Member, Risk Management Committee
Member, Related Party Transactions Committee
Director since May 26, 2009

Education and Training:
- BS General Studies, University of Santo Tomas
- Bachelor of Laws, Ateneo De Manila University
- Master of Laws, University of Michigan Law School

Membership on the Board of Publicly Listed Companies:

- EEI Corporation, *Independent Director*
- Lepanto Consolidated Mining Company, *Lead Independent Director*
- PLDT Inc.
- PXP Energy Corporation

Membership on the Board of Non-Listed Companies, Foundations, and other Organizations:

- AGN Philippines, Inc., *Co-Chairman*
- Aurora Managed Power Services Inc., *Chairman*
- BTF Holdings, Inc.
- Beacon Electric Asset Holdings, Inc.
- Bell Telecommunication Philippines, Inc., *Co-Chairman*
- Bow Arken Holding Company, Inc., *Co-Chairman*
- Brightshare Holdings Corporation, *Co-Chairman*
- CIS Bayad Center, Inc., *Chairman*
- Cobaltpoint Telecom, Inc., *Co-Chairman*
- Concreat Holdings Philippines, Inc., *Independent Director*
- Connectivity Unlimited Resource Enterprise Inc.
- Corporate Information Solutions, Inc., *Chairman*
- Dominer Pointe, Inc., *Co-Chairman*
- Eastern Telecommunications Philippines, Inc., *Co-President*
- Enterprise Investments Holdings, Inc.
- e-Meralco Ventures, Inc., *Chairman*
- ePLDT, Inc.
- e Telco, Inc., *Co-Chairman*
- ESPI Real Estate Ventures Inc., *President*
- Excellent Energy Resources, Inc.
- First Agri Holdings Corporation, *President*
- First Coconut Manufacturing Inc., *Vice-Chairman*
- First Delta Group Security Services, Inc.
- First Pacific Leadership Academy, Inc., *Trustee*
- Hi Frequency Telecommunications, Inc., *Co-Chairman*
- Ilijan Primeline Industrial Estate Corporation
- Liberty Telecom Holdings, Inc., *Co-Chairman*
- Linseed Field Corporation
- Maya Bank Inc.
- Mediaquest Holdings, Inc.
- Meralco PowerGen Corporation, *Vice-Chairman*
- Meridian Power Ventures Limited
- Metro Pacific Assets Holdings, Inc.
- Metro Pacific Holdings, Inc.
- Metro Pacific Investments Corporation
- Metro Pacific Resources, Inc.

- MPioneer Insurance, Inc., *Chairman*
- Multi Technology Investments Holdings, Inc., *Co-Chairman*
- MVP Rewards and Loyalty Solutions Inc.
- New Century Telecoms, Inc., *Co-Chairman*
- One Meralco Foundation, Inc., *Vice-Chairman and Trustee*
- Pacific Aurora Plantation Corp., *Vice-Chairman*
- Pacific Global One Aviation Company, Inc.
- PacificLight Power PTE Ltd. (Singapore Company)
- PacificLight Renewables Pte. Ltd. (Singapore Company)
- Paragon Vertical Corporation*, Chairman*
- Perchpoint Holdings, Inc., *Co-Chairman*
- PH Broadband Networks Holdings, Inc., *Co-Chairman*
- PH Communications Holdings Corporation
- Philippine Telecommunications Investment Corp., *Director and Corporate Secretary*
- Pilipinas Global Network Limited
- Pilipinas Pacific Telecom Holdings, Inc., *Assistant Corporate Secretary*
- PLDT - Beneficial Trust Fund, *Vice-Chairman and Trustee*
- PLDT Capital PTE Ltd.
- PLDT Communications and Energy Ventures, Inc., *President*
- PLDT Digital Investments PTE Ltd.
- PLDT Global Investments Corporation
- PLDT Global Investments Holdings, Inc.
- PLDT Online Investments PTE Ltd.
- Power Smart Capital Limited
- Radius Telecoms, Inc., *Chairman*
- Roxas Power Corporation
- Skyphone Logistics, Inc., *Co-Chairman*
- Somete Logistics & Development Corporation, *Co-Chairman*
- South Premiere Power Corporation
- Smart Communications, Inc.
- Talas Data Intelligence Inc.
- Telecommunications Service Providers, Inc.,
- Telecommunication Technologies Philippines, Inc., *Co-Chairman and Co-President*
- Tori Spectrum Telecom, Inc., *Co-Chairman*
- Two Cassandra - CCI Conglomerate, Inc., *Co-Chairman*
- Two Rivers Pacific Holdings Corporation
- Vega Telecom, Inc., *Co-Chairman*
- WREIT, Inc., *Independent Director*

Position and Membership in Other Organizations:

- Member of the Integrated Bar of the Philippines, Philippine Bar Association, and Inter-Pacific Bar Association

JAMES L. GO
Filipino, 87 years old
Member, Executive Committee
Member, Audit Committee
Member, Finance Committee
Member, Risk Management Committee
Member, Related Party Transactions Committee
Member, Nomination and Governance Committee
Director since December 16, 2013

Education and Training:
- BS Chemical Engineering, Massachusetts Institute of Technology
- Master's in Chemical Engineering, Massachusetts Institute of Technology

Membership on the Board of Listed Companies:
- JG Summit Holdings, Inc., *Chairman*
- Oriental Petroleum and Minerals Corporation, *Chairman and Chief Executive Officer*
- Robinsons Land Corporation, *Chairman Emeritus*
- Universal Robina Corporation, *Chairman Emeritus*
- Robinsons Retail Holdings, Inc., *Vice-Chairman*
- PLDT Inc.

Membership on the Board of Non-Listed Companies, Foundations, and other Organizations:
- JG Summit Olefins Corporation, *Chairman Emeritus*
- Gokongwei Brothers Foundation, Inc., *President and Trustee*
- Meralco PowerGen Corporation

Position and Membership in Other Organizations and Corporations:
- Cebu Air, Inc., *Board Adviser*

PATRICK HENRY C. GO
Filipino, 56 years old
Chairman, Risk Management Committee
Member, Audit Committee
Member, Nomination and Governance Committee
Member, Related Party Transactions Committee
Member, Sustainability Committee
Director since January 29, 2024

Education and Training:
- Bachelor of Science Degree in Management – Ateneo De Manila University
- General Management Program – Harvard Business School

Membership on the Board of Listed Companies:
- JG Summit Holdings, Inc., *Executive Director*
- Universal Robina Corporation, *Executive Vice-President*

• Robinsons Land Corporation

Membership on the Board of Non-Listed Companies, Foundations, and other Organizations:
• JG Summit Olefins Corporation
• Meralco PowerGen Corporation
• Merbau Corporation, *President and Chief Executive Officer*
• Peak Fuel Corporation
• Gokongwei Brothers Foundation, Inc., *Trustee and Treasurer*
• Caballes-Go Securities Inc., *Chairman*

JOSE MA. K. LIM
Filipino, 74 years old
Member, Executive Committee
Member, Finance Committee
Member, Audit Committee
Member, Risk Management Committee
Member, Related Party Transactions Committee
Member, Nomination and Governance Committee
Director since May 29, 2012

Education and Training:
- BA Philosophy, Ateneo De Manila University
- Master's in Business Administration, Asian Institute of Management

Membership on the Board of Non-Listed Companies, Foundations, and other Organizations:
- AF Payments Inc.
- Global Business Power Corporation
- Indra Philippines
- KM Infrastructure Holdings, Inc.
- Landco Pacific Corporation
- Light Rail Manila Corporation
- Light Rail Manila Holdings, Inc.
- Maynilad Water Holding Company, Inc.
- Maynilad Water Services, Inc.
- Medical Doctors, Inc.
- Meralco PowerGen Corporation
- Metro Pacific Health Tech Corporation
- Metro Pacific Holdings, Inc.
- Metro Pacific Investments Corporation, *Strategic Adviser*
- Metro Pacific Investments Foundation Inc., *Trustee*
- Metro Pacific Management Services, Inc.
- Metro Pacific Light Rail Corporation
- Metro Pacific Tollways Corporation, *President & CEO effective March 1, 2025*
- MetPower Ventures Partners Holdings, Inc., *Chairman*
- Metro Strategic Infrastructure Holdings Incorporated, *Chairman*
- NLEX Corporation

- Philippine Telecommunications Investment Corp.

Position and Membership in Other Organizations and Corporations:
- Founding Member of the Shareholders Association of the Philippines
- Management Association of the Philippines, Member

ARTEMIO V. PANGANIBAN
Filipino, 89 years old
Lead Independent Director
Chairman, Audit Committee
Member, Executive Committee
Member, Related Party Transactions Committee
Member, Risk Management Committee
Independent Director since May 27, 2008

Education and Training:
- Associate in Arts Degree ("With Highest Honors"), Far Eastern University
- Bachelor of Laws ("Cum Laude"), Far Eastern University
- Doctor of Laws ("Honoris Causa"), University of Iloilo/Far Eastern University/University of Cebu/Angeles University/ Bulacan State University

Membership on the Board of Listed Companies:
- Asian Terminals, Inc., *Independent Director*
- GMA Holdings, Inc., *Independent Director*
- GMA Network, Inc., *Independent Director*
- JG Summit Holdings, Inc., *Independent Director*
- Jollibee Foods Corporation
- Petron Corporation, *Independent Director*
- PLDT Inc., *Lead Independent Director*
- RL Commercial REIT, Inc., *Independent Director*

Adviser to the Board of the following Listed Companies:
- Double Dragon Properties Corp.
- Merry Mart Consumer Corp.
- Metropolitan Bank and Trust Co.

Membership on the Board of Non-Listed Companies, Foundations, and other Organizations:
- Asian Hospital Inc., *Independent Director*
- Claudio Teehankee Foundation, *Vice-Chairman, Board of Trustees*
- Foundation for Liberty and Prosperity, *Chairman of the Board of Trustees*
- Manila Metropolitan Cathedral-Basilica Foundation, Inc., *President*
- Metro Pacific Investments Corporation, *Independent Advisor*
- Metro Pacific Tollways Corporation, *Independent Director*
- Philippine Judges Foundation, *Chairman of the Board of Trustees*
- State Investment Corporation, *Independent Director*
- State Properties Corporation, *Independent Director*

- Tan Yan Kee Foundation, *Trustee*

Position and Membership in Civic Organizations, Foundations and Corporations:
- Metrobank Foundation, *Chairman of the Board of Advisers*
- Philippine Center for Diabetes Education Foundation, Inc., *Chairman*
- Philippine National Committee of the Asean Law Association, *Chairman Emeritus*
- Philippine Daily Inquirer, *Columnist*
- Supreme Court of the Philippines, *Retired Chief Justice*
- Association of Retired Justices of the Supreme Court of the Philippines, *President*
- AIM-RVR Center, *President*

PEDRO EMILIO O. ROXAS
Filipino, 70 years old
Chairman, Related Party Transactions Committee
Chairman, Nomination and Governance Committee
Member, Audit Committee
Member, Finance Committee
Member, Risk Management Committee
Member, Remuneration and Leadership Development Committee
Member, Sustainability Committee
Independent Director since May 25, 2010

Education and Training:
- BS Business Administration, University of Notre Dame Indiana, USA

Membership on the Board of Listed Companies:
- Roxas and Company, Inc., *Chairman*
- Roxas Holdings, Inc., *Chairman*

Membership on the Board of Non-Listed Companies, Foundations, and other Organizations:
- Brightnote Assets Corporation
- Club Punta Fuego, Inc., Chairman
- Global Business Power Corporation, *Independent Director*
- Meralco PowerGen Corporation, *Independent Director*
- Metro Pacific Investment Corporation, *Independent Advisor*
- Roxaco Land Corporation, *Chairman*
- Chromite Gas Holdings, Inc., *Independent director*

VICTORICO P. VARGAS
Filipino, 74 years old
Member, Finance Committee
Member, Remuneration and Leadership Development Committee
Director since May 28, 2019

Education and Training:
- BS Psychology, University of Santo Tomas

Membership on the Board of Non-Listed Companies:
- Association of Boxing Alliances in the Philippines, *Chairman*
- Beacon Electric Asset Holdings, Inc.
- Beacon PowerGen Holdings, Inc.
- CIS Bayad Center, Inc.
- Cignal TV, Inc.
- First Pacific Leadership Academy, *President and member of the Board of Trustees*
- Hastings Holdings, Inc., *Chairman*
- Ideaspace Foundation, *Trustee*
- Kayana Solutions, Inc., *Chairman*
- Media5 Marketing Corporation, *Chairman*
- Metro Pacific Tollways Corporation
- Metro Pacific Investment Corp.
- MGen Global Power
- MQuest Ventures, Inc.
- MVP Sports Foundation, Inc., *Trustee*
- Philippines Basketball Association, *Chairman (Season 2017 to present)*
- Philstar Daily, Inc., *Chairman*
- PhilStar Global, Inc., *Chairman*
- PhilPop Music Fest Foundation, *President*
- Pilipino Star Ngayon, Inc., *Chairman*
- Pilipino Star Printing, *Chairman*
- PLDT Clark Telecom, Inc.
- PLDT Global, Inc., *Chairman*
- PLDT Smart Foundation, *Trustee*
- PLDT Subic Telecom, Inc.
- Smart Communications, Inc.
- Talas Data Intelligence, Inc., *President & CEO*
- TV5 Network, Inc.

Position and Membership in Other Organizations, Foundation and Corporations:
- First Pacific Company Limited, *Associate Director*
- Head of Leadership Transition Office of the PLDT Group, Office of the Chairman
- Officer in Charge (OIC) of MediaQuest Holdings, Inc. and its affiliated companies
- Samahang Basketbol ng Pilipinas, *President* and Former *Vice President and Vice Chairman*

- Association of Boxing Alliances in the Philippines (ABAP), *Honorary Chairman*
- Asian Boxing, *Executive Board Member*
- World Boxing Council, *Executive Board Member*
- Olympics 2028*, Chef de Mission*
- Philippine Olympic Committee, *Immediate Past President*
- Maynilad Water Services, Inc., *Former President and Chief Executive Officer*

The table below summarizes the term of office and the positions and offices held by the incumbent directors of the Company:

Name of Director	Term of Office	Period of Service	Positions and Offices Held
Manuel V. Pangilinan	May 26, 2009 to present	16 years and 11 months	Chairman, Board of Directors Chairman, Executive Committee, Remuneration and Leadership Development Committee, and Sustainability Committee Chief Executive Officer since May 30, 2023
Lance Y. Gokongwei	December 16, 2013 to present	12 years and 4 months	Vice-Chairman since May 27, 2014 Vice-Chairman, Executive Committee Member, Finance Committee, Remuneration and Leadership Committee, and Sustainability Committee
June Cheryl A. Cabal-Revilla	May 30, 2023 to present	2 years and 11 months	Chairperson, Finance Committee Member, Audit Committee, Nomination and Governance Committee, and Sustainability Committee
Lydia B. Echauz (Independent Director)	May 25, 2021 to present	4 years and 11 months	Member, Finance Committee, Audit Committee, and Nomination and Governance Committee
Ray C. Espinosa	May 26, 2009 to present	16 years and 11 months	Member, Risk Management Committee, and Related Party Transactions Committee President and Chief Executive Office from May 28, 2019 to May 30, 2023
James L. Go	December 16, 2013 to present	12 years and 4 months	Member, Executive Committee, Audit Committee, Finance Committee, Risk Management Committee, Related Party Transactions Committee, and Nomination and Governance Committee
Patrick Henry C. Go	January 29, 2024 to present	2 years and 3 months	Chairman, Risk Management Committee Member, Audit Committee, Nomination and Governance Committee, Related Party Transactions Committee, and Sustainability Committee

Jose Ma. K. Lim	May 29, 2012 to present	13 years and 11 months	Member, Executive Committee, Finance Committee, Audit Committee, Risk Management Committee, Related Party Transactions Committee, and Nomination and Governance Committee
Artemio V. Panganiban (Independent Director)	May 27, 2008 to present	17 years and 11 months	Leader Independent Director Chairman, Audit Committee Member, Executive Committee, Related Party Transactions Committee, and Risk Management Committee
Pedro Emilio O. Roxas (Independent Director)	May 25, 2010 to present	15 years and 11 months	Chairman, Related Party Transactions Committee, Nomination and Governance Committee Member, Audit Committee, Finance Committee, Risk Management Committee, Remuneration and Leadership Development Committee, and Sustainability Committee
Victorico P. Vargas	May 28, 2019 to present	6 years and 11 months	Member, Finance Committee, and Remuneration and Leadership Development Committee

Term of Office

The members of the Board of Directors of *MERALCO* are elected at the annual meeting of stockholders for a term of one (1) year, until their successors are duly elected and qualified.

Nominees

The members of the Board of Directors of *MERALCO* are elected from a Final List of Candidates qualified by its Nomination and Governance Committee. The Final List of Candidates is determined after pre-screening and evaluation of qualifications of the nominees nominated by stockholders of record. The Nomination and Governance Committee is composed of Pedro Emilio O. Roxas, as Chairman, and June Cheryl A. Cabal-Revilla, Lydia B. Echauz, James L. Go, Patrick Henry C. Go, and Jose Ma. K. Lim as members.

The candidates for directors for the ensuing calendar year are:

1. June Cheryl A. Cabal-Revilla
2. Lydia B. Echauz
3. Ray C. Espinosa
4. James L. Go
5. Patrick Henry C. Go
6. Lance Y. Gokongwei
7. Jose Ma. K. Lim
8. Bernido H. Liu
9. Manuel V. Pangilinan
10. Bernadine T. Siy
11. Victorico P. Vargas

With the exception of Ret. Chief Justice Artemio V. Panganiban and Mr. Pedro Emilio O. Roxas, the remaining nine (9) incumbent directors have been nominated for re-election.

A summary of relevant information regarding the nominees for independent directors is provided below:

Name of Nominee	Nominated By	Relationship	Date of First Appointment
Lydia B. Echauz	Miriam DM Manito	None	May 25, 2021
Bernido H. Liu	Maria G. Panganiban	None	Not Applicable
Bernadine T. Siy	Maria G. Panganiban	None	Not Applicable

MERALCO has adopted the provisions of Rule 38 of the SRC on nominations and election of independent directors ("IDs") (Article II, Section 2 of the Amended By-Laws, as approved by the Securities and Exchange Commission on June 14, 2005) and Revised Corporation Code Section 22.

The Certificate of Independence of the nominees for election as Independent Directors may be found in Annexes E to G.

The profile of Mr. Bernido H. Liu and Ms. Bernadine T. Siy is provided below:

BERNIDO H. LIU
Filipino, 63 years old

Education and Training:
- BS Architecture, University of San Carlos
- Owner/President Management Program, Harvard Business School

Membership on the Board of Listed Companies:
- PLDT, Inc., *Independent Director*

Membership on the Board of Non-Listed Companies, and Position in Other Organizations:
- Basic Graphics, Inc., *Chairman*
- Digital Retailing Innovations, Inc. (formerly Store Masters International Incorporated), *Chairman and President*
- Essentia Medical Group, Inc., *Chairman*
- GABC International Pte. Ltd.
- GABC Singapore Retail Pte. Ltd.
- Golden ABC, Inc., *Chairman*
- LH Paragon, Inc., *Chairman and President*
- Liu and Hong Family Holding Corporation, *Chairman, President and CEO*
- Matimco Incorporated, *Chairman*
- Matserv, Inc*., Chairman*
- Matwood, Inc., *Chairman*
- Medellin Realty Development Corporation*, Chairman*
- Mga Likha ni Inay, Inc. (member of CARD MRI)
- MTC Holdings, Inc., *Chairman*
- Oakridge Realty Development Corporation, *Chairman*

- OIP Holdings, Inc.*, Chairman*
- Red Logo Lifestyle, Inc., *Chairman*
- Weatherwood, Inc., *Chairman*

Mr. Liu is currently a member of the Audit, Governance, Nomination and Sustainability, Executive Compensation, Risk, and Data Privacy and Information Security Committees of the Board of Directors of PLDT, Inc.

Concurrently, he is the Chairman of GOLDEN ABC, Incorporated. ("GABC"), a fashion retail company which designs and sells its own clothing, personal care and accessory lines marketed and retailed under a dynamic portfolio of well differentiated proprietary brands, namely Penshoppe, OXGN, ForMe, Memo, Regatta and BOCU. He is also the Group Chairman of LH Paragon Incorporated, a business holdings company which has under its management GABC and other companies in various industries, such as Matimco Incorporated, Oakridge Realty Development Corporation, and Essentia Medical Group, Inc. among others.

Mr. Liu has been recognized for his entrepreneurial and philanthropic contributions. He has received prestigious honors including recognition from the Agora Awards for his Outstanding Achievement in Entrepreneurship, the JCI Philippines as a Ten Outstanding Young Men (TOYM) Awardee for Entrepreneurship, the Outstanding Filipino Retailers Awards as Global Retailer of the Year, and the ASEAN Business Awards for Priority Integration Sector Excellence Award for Retail. He also received the Pro Ecclesia et Pontifice Papal Medal in 2022 for his service to the Catholic Church.

BERNADINE T. SIY
Filipino, 67 years old

Education and Training:
- BA Economics, Ateneo de Manila University, Magna Cum Laude
- Master's in Management, J.L. Kellogg Graduate School of Management, Northwestern University

Membership on the Board of Listed Companies:
- Cebu Air, Inc., *Independent Director*
- JG Summit Holdings, Inc., *Independent Director*
- PLDT, Inc., *Independent Director*

Membership on the Board of Non-Listed Companies:
- Epicurean Partners Exchange, *Director*
- Coffee Masters, Inc., *Director*
- Fil-Pacific Apparel Corporation, *Director*
- Ateneo de Manila University, *Chairperson, Trustee*
- PHINMA-AU Araullo University, *Independent Director*
- Anvaya Cove Golf and Country Club, Inc., *Independent Director*
- Foundation for Economic Freedom, Inc., *Fellow, Trustee, and Treasurer*
- Philippine Business for Education, *Trustee*
- WeSolve Foundation, *Trustee*
- Management Association of the Philippines, *Member*

Position and Membership in Other Organizations, Foundation and Corporations:

Ms. Siy served as President and CEO of Epicurean Partners Exchange, Inc., Coffee Masters, Inc. and Fil-Pacific Apparel Corporation. Earlier in her career, she built a strong foundation in finance and banking, having worked with Citibank N.A. in both Manila and New York in treasury roles, and with The First National Bank of Chicago in international trade finance and relationship management. She also served as a consultant to the Board of Directors of the Development Bank of the Philippines and was a board member of Security Diners International Corporation, then a subsidiary of Security Bank Corporation.

Beyond her corporate work, Ms. Siy is deeply engaged in socio-civic, educational, and business organizations. She balances her professional and civic commitments with active participation in sports and social clubs.

Ms. Siy is married to senior law partner Enrique I. Quiason.

EXECUTIVE OFFICERS

SIMEON KEN R. FERRER
Filipino, 69 years old
Corporate Secretary (since May 26, 2009)

Atty. Ferrer is an Independent Director of Grand Plaza Hotel Corporation, a company listed on the Philippine Stock Exchange. He is also the Corporate Secretary of another public company, Century Peak Holdings Corporation (formerly Century Peak Metals Holdings Corporation). He continues to serve as Director or Corporate Secretary of various non-public companies. He is Of Counsel at SyCip Salazar Hernandez & Gatmaitan until May 31, 2026, having recently retired as Senior Partner and head of the Corporate Services Department. He is a member of the Integrated Bar of the Philippines and the Philippine Bar Association, and a Fellow of the Institute of Corporate Directors.

Atty. Ferrer is an SEC-accredited lecturer on corporate governance and is a member of the faculty of the School of Law of the Ateneo de Manila University. He is also the International Alumni Contact for the Philippines of the University of Michigan Alumni Association.

Atty. Ferrer completed his Bachelor of Science degree in Business Economics and Bachelor of Laws degree at the University of the Philippines and obtained his Master of Laws degree from the University of Michigan as a DeWitt Fellow.

RONNIE L. APEROCHO
Filipino, 58 years old
Executive Vice President and Chief Operating Officer (since July 1, 2023)

Mr. Ronnie L. Aperocho leads *MERALCO*'s strategic initiatives for a sustainable and smarter power grid.

He is a licensed Professional Electrical Engineer (PEE) and an ASEAN Chartered Professional Engineer (ACPE). He graduated from Mindanao State University (MSU) and topped the October 1991 Electrical Engineering licensure examination. He also earned his Master of Business Administration from the J.L.

Kellogg School of Management of Northwestern University and the Hong Kong University of Science and Technology.

In 2024, Mr. Aperocho was honored by the Professional Regulation Commission (PRC) as the Most Outstanding Electrical Engineer in the Philippines. The following year, in 2025, MSU conferred upon him the inaugural Rawaten Alumni Award for the College of Engineering – "*rawaten*", a Maranao word meaning "*model*".

Mr. Aperocho served as the Chairman of the Technical Committee of the Association of Electricity Supply Industry of East Asia and the Western Pacific (AESIEAP) from 2022 to 2023, and as Secretary-General of the AESIEAP Philippine Coalition in 2021.

MARIA LUISA V. ALVENDIA
Filipino, 63 years old
Senior Vice President (since January 1, 2024)
Chief Supply Chain Officer

Prior to being appointed to her current role, Ms. Alvendia served as the Chief of Staff to the President and Chief Executive Officer, and Supply Chain Advisor of the Company. Before joining *MERALCO*, she was the Chief of Staff to the Chief Corporate Services Officer of PLDT, Inc. (PLDT) and Smart Communications, Inc. (SMART), and Group Head of PLDT and SMART Supply Chain Planning and Procurement. With her industry-recognized supply chain expertise, she became a Director of the Philippine Institute of Supply Management. She also led various Supply Chain process improvements and system implementation for different companies and held global procurement roles.

She was recently tasked to head the newly created Corporate Program Management Office (CPMO), concurrent to her role as Chief Supply Chain Officer. As head of CPMO, she provides strategic direction and is accountable for ensuring alignment of all transformation programs with corporate strategy and governance standards.

Ms. Alvendia holds a Bachelor of Science degree in Psychology from the University of the Philippines.

ROQUE D. BACANI
Filipino, 50 years old
Senior Vice President and Chief Information Officer (since January 1, 2026)

Mr. Rocky Bacani is the Chief Information Officer of the Company. Prior to his appointment in his current role, he served as the Head of *MERALCO*'s Information, Communication, Technology and Transformation from October 2019. He also serves as Chief Technology Officer of Kayana Solutions, Chief Technology Advisor and Member of the Board of Directors of CIS Bayad Center, Inc., and Chief Technology Advisor of Radius Telecoms, Inc. He has over 28 years of experience in the field of information technology and telecommunications.

Prior to joining *MERALCO*, he took on concurrent roles as Vice President and Head of Group IT Corporate Technology and Head of Data Management Office of Smart Communications, Inc. and PLDT, Inc. He was also a former Chief Technology Officer of Talas Data Intelligence Inc. (a wholly owned subsidiary of PLDT).

ARNEL PACIANO D. CASANOVA
Filipino, 56 years old
Senior Vice President (since July 1, 2023)
Head, Strategic DU Partnerships

Atty. Casanova leads the growth and expansion of the Company's distribution business through new acquisitions and joint venture partnerships with other private investor-owned distribution utilities and electric cooperatives (ECs) across the country.

Prior to joining *MERALCO*, Atty. Casanova is the founder of New Clark City, the first master-planned smart and green metropolis in the Philippines during his term as President and CEO of Bases Conversion and Development Authority (BCDA). He led AECOM, the NYSE listed and Fortune 500 engineering consulting business in the Philippines, designing the first subway stations of the country, the new Philippine Senate and numerous infrastructure and property development projects. His almost 30-year career includes rising from the ranks to become the youngest President and Chief Executive Officer of the Bases Conversion and Development Authority (BCDA). He was part of the team that developed the Bonifacio Global City (BGC) from its beginnings and the development of the Clark and Subic special economic zones. He was part of the leadership team that built the Subic-Clark Expressway and led the award of its O&M contract. He led the successful recovery of government prime real estate by winning a number of high-profile cases in the Supreme Court. He served as the Chairman of Governance and Human Resource Committee and Member of the Board of Trustees of the Center for Agriculture and Rural Development, Inc. (CARD, Inc.). He was President and CEO of Ablr Pte. Ltd., a Singapore registered advisory firm with expertise on PPP, green cities, smart infrastructure and sustainable real estate developments.

He also serves on the Board of Eton Properties, Inc., Alcantron Corporation, and Solar Village Foundation, Inc. He is a major shareholder of Fadz Casanova, Inc. and Trustee of St. Louise De Marillac College. He is a member of Makati Business Club, Management Association of the Philippines and Chairman of the Infrastructure and Logistics Committee of the American Chamber of Commerce of the Philippines. He serves as an Advisor to the Board of Comstech Integration Alliance, Inc.

He is a recipient of two prestigious awards in public service given by two Philippine Presidents – the Philippine Legion of Honor Medal for his work as peace negotiator in the peace talks with RAM military rebels and with the MILF rebel groups during the Ramos presidency and the Presidential Medal of Merit for his exemplary service in BCDA during the Aquino presidency. He is active in development work as well as a volunteer serving Filipino migrant workers and social entrepreneurs across the globe. Aside from serving former Philippine Presidents, he advised governments and international leaders in development including Bhutan and Armenia to challenging places such as Afghanistan and North Korea. He is an active fellow of Asia Society's Young Leaders.

Atty. Casanova is an expert in the fields of real estate law, Public-Private Partnership and infrastructure, urban planning and real estate and public finance. He teaches in the University of the Philippines College of Law and earned his Master of Public Administration in Harvard University's Kennedy School of Government as a Mason Fellow and World Bank scholar. He was chosen as The Most Outstanding Alumni of the Decade by the School of Urban and Regional Planning of the University of the Philippines and writes a weekly column in Manila Times titled "City Builder".

REDEL M. DOMINGO
Filipino, 57 years old
Senior Vice President (since January 1, 2026)
Head, MPower

Outside of the *MERALCO* Group, Mr. Domingo is the Vice Chairman and Executive Director of Lifestream Ministries, Inc. – Capital City Foursquare Church since 2004. He is also the Executive Vice President of the Society of Philippine Electrotechnical Constructors and Suppliers, Inc. since 2022.

Mr. Domingo, a Professional Electrical Engineer (PEE), graduated from the Nueva Ecija University of Science and Technology (NEUST) with a Bachelor of Science degree in Electrical Engineering. He completed his Master's degree in Electrical Engineering from the University of the Philippines-Diliman.

FERDINAND O. GELUZ
Filipino, 61 years old
Senior Vice President (since July 1, 2023)
Head, DU Subsidiaries and Strategic Partnerships

Over the course of his distinguished career at *MERALCO*, Mr. Geluz held key leadership roles across various functional groups, including Chief Revenue Officer, Customer Retail Services, Supply Chain and Logistics Management, and Distribution Services. His extensive experience spans core utility operations, customer management, and strategic initiatives.

Mr. Geluz currently serves as Chairman of several *MERALCO* subsidiaries, namely Meralco Industrial Engineering Services Corporation, Meralco Energy, Inc., Movem Electric, Inc., and MSpectrum, Inc. He also serves as Director of other Meralco subsidiaries and affiliates, including One Meralco Foundation, Clark Electric Distribution Corporation, Bayad, Radius Telecoms, Meralco Power Academy, and Aclara Meters Philippines, Inc.

Mr. Geluz is a licensed Professional Electrical Engineer (PEE) and an ASEAN Chartered Professional Engineer (ACPE). He earned his Bachelor of Science degree in Electrical Engineering from the University of the Philippines.

He placed 6th in the Registered Electrical Engineer Licensure Examination and was conferred the 2019 Professional Degree Award in Electrical Engineering by the UP Alumni Engineers. In 2024, he was recognized as the Outstanding Electrical Engineer in the field of Management by the Institute of Integrated Electrical Engineers of the Philippines, Inc.

MELANIE T. OTEYZA
Filipino, 55 years old
Senior Vice President (since January 1, 2024)
Chief Audit Executive

Ms. Oteyza brings a wealth of experience in Corporate Governance and Internal Audit to her role as the Company's Chief Audit Executive. Formerly a Director at Rajawali Corpora in Indonesia, she managed Corporate Governance and Internal Audit functions. Ms. Oteyza held key positions, serving as the Ethics Committee Chairman, Audit and Risk Committee Deputy Chairman, and a Member of the HR and IT Board Committees for RC Holding.

In Singapore, Ms. Oteyza assumed the role of Audit Director at Singapore Telecommunications Limited Inc. (SingTel), overseeing international investments, joint ventures, and regional mobile associates in Africa and the Asia Pacific for the SingTel group. She has held executive positions such as Assistant Vice President for Internal Audit at San Miguel Corporation and Country Audit Head for National Foods Limited, managing internal audit activities across Australia and other international entities in the Asia Pacific region. Her extensive career also includes roles as Audit Center Head at PLDT Inc. and Internal Audit Executive at Digital Telecommunications Philippines Inc. She has contributed her expertise to renowned assurance and consulting firms such as Protiviti Singapore and SyCip Gorres Velayo & Co. (previously a Member Firm of Arthur Andersen).

Ms. Oteyza served as a distinguished member of the Board of Governors for the Singapore Institute of Internal Auditors (IIA) and as a Board and Director for the Philippine Institute of Internal Auditors. Additionally, she played a pivotal role as a Certified Internal Auditor (CIA) Reviewer and Trainer at the Institute of Internal Auditors – Philippines (IIAP).

Educationally accomplished, Ms. Oteyza holds a Bachelor of Science Degree in Commerce, Major in Accounting, with Magna Cum Laude honors, and was recognized as a PICPA Awardee for Academic Excellence. She was granted a full scholarship by SGV in acknowledgment of her outstanding academic achievements. Ms. Oteyza pursued further studies and earned her Master's degree in Business Administration from the University of Santo Tomas, graduating Summa Cum Laude, the highest academic distinction. She also completed the Executive Management Leadership Program at the Asian Institute of Management, earning the Superior Performance Award.

A Certified Public Accountant, Ms. Oteyza also holds international certifications from IIA USA, including the Certified Internal Auditor (CIA) and William S. Smith Awardee, Certification in Risk Management Assurance (CRMA), Certification in Self-Control Assessment (CCSA), and Qualified Validator in Quality Assurance for Internal Audit. In December 2023, she attained the Certification in Information Systems Auditor (CISA) issued by the Information Systems Audit and Control Association (ISACA). Notably, Ms. Oteyza achieved the Qualification in Internal Audit Leadership (QIAL) from IIA USA in December 2022, making her the only Filipino recipient to join the global circle of Chief Audit Executives with this premier designation.

She also successfully passed the Professional Directors Program (PDP) examination and completed the PDP Program of the Institute of Corporate Directors (ICD) in September 2019, where she is currently a Graduate Member and a Teaching Faculty. Actively engaged, Ms. Oteyza actively contributes to the Corporate Governance Standards and Thought Leadership Committees of ICD. She also supports ICD's initiatives to advance corporate governance practices, particularly through her involvement in the Annual Corporate Governance Report (ACGR) assessment for publicly listed companies.

CHARINA P. PADUA
Filipino, 57 years old
Senior Vice President (since January 1, 2026)
Head, Customer Relations and Services

Ms. Charina P. Padua currently serves as Head of Customer Relations and Services (formerly Customer Retail Services) of the Company. With over three decades of extensive leadership experience in

the energy sector, Ms. Padua now oversees critical business functions, including customer service, commercial strategy, sales, marketing, and product development.

Throughout her career at *MERALCO*, she has held pivotal roles, including Vice President and Head of Commercial Operations, overseeing key back-end customer processes; Vice President and Head of Home and MicroBiz – North Business Area, leading customer service operations and stakeholder engagement in North Metro Manila and Bulacan; and Assistant Vice President and Head of Customer Payments, ensuring timely collections from major accounts. Earlier in her career, she was Assistant Vice President & Head of Corporate Planning, where she directed the organization's strategic planning and performance management framework.

Ms. Padua served as a Trustee of the Meralco Savings and Loans Association from 2013 to 2016 and 2021 to 2023. She is currently member of the Board of Directors of Movem Electric, Inc. (since October 2023) and Customer Frontline Solutions (CFS) (since September 2025).

Ms. Padua holds a Bachelor of Science degree in Business Economics (BSBE) from the University of the Philippines - Diliman and an Executive Master's in Business Administration (EMBA) from the Asian Institute of Management (AIM).

WILLIAM S. PAMINTUAN
Filipino, 64 years old
Senior Vice President
Chief Legal Counsel and Assistant Corporate Secretary (since January 2012)
Compliance Officer and Head, Legal, Corporate Governance and Compliance Office, and Data Privacy Office

Atty. Pamintuan is the Corporate Secretary of the following companies: First Pacific Leadership Academy, Meralco Industrial Engineering Services Corporation, Meralco Power Foundation, Inc., Meralco PowerGen Corporation, and MRAIL, Inc.

He also serves as Director of the following companies: Aclara Meters Philippines, Inc., Aurora Managed Power Services, Inc., Comstech Integration Alliance, Inc., e-Meralco Ventures, Inc., Indra Philippines, Inc., Lighthouse Overseas Insurance Limited, Meralco Energy, Inc., Meridian Atlantic Light Company Ltd., Meridian Power Ventures, Ltd., MIESCOR Infrastructure Development Corporation, Movem Electric, Inc., MPioneer Insurance, Inc., Paragon Vertical Corporation, and Pylon Holdings Corporation.

Atty. Pamintuan serves as the Chairman of the Board of PMHC Lalawinan Inc., PMHC Pulanai Inc., and Pure Meridian Hydropower Corporation.

He is also a trustee of the Meralco Pension Fund and is a member of the Board of the Board of Governors of the Philippine Basketball Association.

He served as Vice Chair of the MAP Energy Committee. He was a former Trustee of the Shareholders' Association of the Philippines, Inc. He served as Officer-in-Charge and Acting President of Meralco Energy, Inc. He was a former Corporate Secretary and Senior Vice President of Digital Telecommunications Phils., Inc. and Digitel Mobile Phils., Inc. He was a General Manager of Digitel Crossing, Inc. He was a former Assistant Corporate Secretary of Cebu Pacific Inc.

Atty. Pamintuan is a member of the board of directors of the University of the Philippines Alumni Association (UPAA) and UP Vanguard, Inc. He is a member of the Management Association of the Philippines (MAP), Integrated Bar of the Philippines (IBP), and Philippine Bar Association (PBA). He is also a member of ICC Philippines-Arbitration and ADR Commission.

Atty. Pamintuan holds a Bachelor of Arts degree in Political Science and a Bachelor of Laws degree from the University of the Philippines.

FROILAN J. SAVET
Filipino, 58 years old
Senior Vice President (since January 1, 2026)
Head, Networks

Mr. Savet is a Director of MIESCOR Builders, Inc., MIESCOR Logistics, Inc., MSpectrum, Inc., and Clark Electric Development Corporation. His other professional affiliations include serving as the principal representative of the Private Distribution Utility Sector to the Philippine Electricity Market Corporation (PEMC) Technical Committee as part of the WESM Governance Committees and Interim Grid Management Committee (IGMC), and as a member representative of the Consortium of PEPOA, *MERALCO*, and PHILRECA for the Energy Virtual One-Stop Shop (EVOSS) Steering Committee. He was also appointed as a member of PRC's Career Progression and Specialization Program-Credit Accumulation and Transfer System (CPSP-CATS) Committee of Electrical Engineering since February 2021.

He was a Director of the Distribution Management Committee, Inc. from 2014 to 2019. Furthermore, he was the Vice Chairman and Committee Member of the Third-Party Bids and Awards Committee (TPBAC), overseeing *MERALCO*'s Competitive Selection Process for its Power Supply Agreements, until 2023. He also served as an Independent Trustee in the Board of Meralco Savings and Loans Association from May 2021 until May 2023. He is a Professional Electrical Engineer and has been recognized as an ASEAN Chartered Professional Engineer since November 2018.

In 2023, he was recognized by both the University of the Philippines Alumni Engineers (UPAE) and the Mapua Electrical Engineering Alumni Association, Inc. (MEEAA) as the Electrical Engineering awardee for his exceptional professional achievements and significant contributions to the field of electrical engineering. He was further distinguished in 2024 as he was awarded by Mapúa University and the National Association of Mapúa Alumni (NAMA) as The Outstanding Mapuan (TOM) for the field of Electrical Engineering. Most recently, he was inducted into the prestigious College of Fellows of the Institute of Integrated Electrical Engineers of the Philippines, Inc.'s (IIEE).

BETTY C. SIY-YAP
Filipino, 65 years old
Chief Finance Officer (since July 2009)

Ms. Siy-Yap serves as a director of several subsidiaries and affiliates in the power generation, distribution utilities, energy services, and infrastructure sectors. She is President of Lighthouse Overseas Insurance Limited and a trustee of the Meralco Pension Fund and One Meralco Foundation, Inc.

She is an Independent Director of COL Financial Group, Inc., a publicly listed company and Union Galvasteel Corporation. She is a member of the Board of Trustees of Immaculate Conception Academy and Chairperson of the Audit Committee of the Ateneo de Manila University.

Ms. Siy-Yap previously served as a member of the Market Governance Board of the Philippine Dealing Exchange Corp., and as Vice Chairman and member of the Board of Accountancy of the Professional Regulation Commission. She was a Partner of SyCip Gorres Velayo & Co. (a member firm of Ernst & Young Global) from 1995 to 2009.

She holds a Bachelor of Science in Business Administration and Accountancy degree from the University of the Philippines and a Master of Business Administration degree from the J.L. Kellogg School of Management of Northwestern University.

JOSE RONALD V. VALLES
Filipino, 55 years old
Senior Vice President (since January 1, 2024)
Head, Regulatory Management

Atty. Valles is a member of the Board of Directors of Clark Electric Distribution Corporation and Philippine Electricity Market Corporation.

He holds a Bachelor of Science degree in Commerce Major in Management of Financial Institutions from the De La Salle University, a Juris Doctor's degree from San Beda University – College of Law, and a Master's degree in Business Economics from the University of Asia and the Pacific. He attended the Public Utility Research Center World Bank International Training Program on Utility Regulation and Strategy at the University of Florida and the Global Strategic Leadership Program by Wharton University of Pennsylvania and First Pacific Leadership Academy.

BENNETTE D. BACHOCO
Filipino, 57 years old
First Vice President (since January 1, 2024)
Head, DU Finance and Financial Planning and Reporting

Ms. Bachoco is a Director of MIESCOR Builders Inc., Customer Frontline Solutions, Inc., and Meralco Financial Services Corporation. She is also an agent of the Meralco Pension Fund.

Prior to joining *MERALCO*, she was a Partner of SyCip Gorres Velayo & Co. (a Member Firm of Ernst & Young Global) and was a former Senior Vice President for Finance of Trans-Asia Oil and Energy Development Corporation.

Ms. Bachoco holds a Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines and a Master's degree in Business Management from the Asian Institute of Management.

JERRY B. LAO
Filipino, 55 years old
First Vice President (since January 1, 2026)
Head, Facilities, Safety and Security Management

Mr. Lao has been employed by *MERALCO* for 32 years and was the former Head of Networks Project Portfolio Management from February 16, 2023 until November 15, 2023. Prior to this assignment, he led the Central Distribution Services Team until February 15, 2023. He served as the Company's head of the

San Pablo, Balintawak, Manila, and Pasig sectors for 9 years. He served as the Chairman of the Meralco Employees Mutual Aid and Benefits Association, Inc. from 2018 to 2019. He has been a member of the *MERALCO* Kuryenteng Ligtas (KLigtas) Awards Program since 2017. He was also appointed as a Director of MIESCOR Logistics, Inc. on August 14, 2024.

Mr. Lao obtained his Bachelor of Science Degree in Electrical Engineering from Holy Angel University and is a Professional Electrical Engineer.

HANS JOACHIM R. MONTENEGRO
Filipino, 51 years old
First Vice President (since October 3, 2025)
Chief Human Resources Officer and Head of Corporate Services

Mr. Montenegro has over 25 years of experience in the Human Resources (HR) field across all areas of Human Resources. He has also held roles in General Management, Operations, Business Development and Project Delivery.

As the Chief Human Resources Officer of the Company, he is responsible for all HR related matters for the main Distribution organization as well as governance and alignment with all *MERALCO* subsidiaries (MERALCO Industrial Engineering Services Corporation, Meralco Energy, Inc., MPower, MSpectrum, Radius, Bayad). He was recently elected as the Chairman of Customer Frontline Solutions, Inc., and also serves as a Director of MIESCOR Logistics, Inc.

Prior to joining *MERALCO*, he was Chief HR Officer for Kayana Solutions which is the new Data and AI entity created for the MVP group of companies, tasked with aggregating the data of over 80 million customers across the group. Hans was responsible for setting up the organizational structure as well as hiring key talent that would help drive this new business.

Before joining Kayana, Mr. Montenegro was a Managing Director in Accenture Philippines, holding two roles namely; 1) Head of the HR Business vertical which managed all the external customers of Accenture around the world who had chosen to outsource their HR operations to the Philippines and 2) Head of Transition and Mobilization which is the team that handles the transfer of outsourced work from a client to an Accenture offshore team. This role covered all Asia offices of Accenture but dealt with global clients.

Mr. Montenegro was also with Manulife for 8 years before Accenture, first as their Head of HR for Manulife Business Process Services in Quezon City before being moved to the Hong Kong Regional Office as the Regional HR Business Partner to the C-suite. His last role with Manulife was as COO of Manulife IT Delivery Center which was a new entity he was tasked to establish in Manila and functioned as the in-house software and IT shared service hub for Manulife Asia and Canada.

His other roles prior to Manulife were HR Director for Convergys Philippines, Country Manager and Head of Business Development for NorthgateArinso, and HR Director for ABC5.

Mr. Montenegro completed his Master of Arts in Counseling, Emphasis in Career Development at Santa Clara University in California, USA. He also completed his BS Psychology undergraduate degree at Ateneo De Manila University.

ROSS RAYMOND B. RAVELO
Filipino, 48 years old
First Vice President (since January 1, 2022)
Chief Sustainability Officer

Mr. Ravelo is a Director of MSpectrum, Inc. He previously served as President and CEO of Movem Electric, Inc. (2023–2026), eSakay, Inc. (2018–2023), MSpectrum, Inc. (2016) and Radius Telecoms, Inc. (2011–2016). Apart from serving as a Director on the Boards of the aforementioned companies, he was likewise a member of the Boards of MGen Renewable Energy, Inc. and Powersource First Bulacan Inc.

Prior to joining *MERALCO*, he was with McKinsey & Company's Washington, D.C. office, where he led strategy development initiatives and operational performance transformations for leading companies across North America, Latin America, Europe, and Southeast Asia, covering a wide range of industries.

Mr. Ravelo holds a Bachelor of Science degree, Magna cum Laude, in Management Engineering from the Ateneo de Manila University. He earned his Master's degree in Business Administration at The Wharton School of the University of Pennsylvania where he was a Joseph Wharton Fellow and an Omnicom Communication Fellow. Mr. Ravelo is also a former Trustee of the Wharton-Penn Alumni Association, Inc.

FRANCIS EUSTON R. ACERO
Filipino, 48 years old
Vice President (since January 1, 2022)
Data Privacy Officer

Atty. Acero joined the Company in November 2019. He serves as the Data Privacy Officer for the *MERALCO* Distribution Utility and all of *MERALCO*'s subsidiaries. Before his role at *MERALCO*, he was the Division Chief of the Data Security and Technical Standards Division and the Complaints and Investigation Division at the National Privacy Commission, from March to October 2019 and since August 2016, respectively. In these roles, he actively contributed to the Implementing Rules and Regulations of the Data Privacy Act and other issuances from the National Privacy Commission.

While serving as the Data Protection Officer for *MERALCO* and its subsidiaries, Atty. Acero also serves as the Vice President of the National Privacy Commission's Data Privacy Council, the official advisory body to the Office of the Privacy Commissioner.

Atty. Acero earned his Bachelor of Arts degree in Journalism from the University of the Philippines and his Juris Doctor from Ateneo de Manila University.

IRENEO B. ACUÑA
Filipino, 59 years old
Vice President (since January 1, 2013)
Head, Utility Partnerships

Mr. Acuña heads the Utility Partnerships, which is responsible for the development of business opportunities in electricity distribution.

He is a Director of Comstech Integration Alliance Inc., Customer Frontline Solutions, Inc., Meridian Power Ventures Limited, and Power Distribution Services (Ghana).

He graduated with a Bachelor of Science degree in Electrical Engineering from Far Eastern University-Institute of Engineering. He completed his Executive Master's in Business Administration from the Asian Institute of Management (with Distinction).

LUISITO B. ACUÑA
Filipino, 57 years old
Vice President (since January 1, 2026)
Head, Head of DU-Supply Chain Management

Mr. Acuña oversees six teams covering Category Management, Materials Management, Contract Management, and Supply Chain Operations Support. He is responsible for leading strategic sourcing initiatives, managing supplier relationships, ensuring compliance with procurement policies, and optimizing material flows to support *MERALCO*'s operational and financial objectives.

He also serves as Chairman of *MERALCO*'s Bids and Awards Committee, where he provides leadership in the evaluation and approval of procurement activities to ensure transparency, fairness, alignment with corporate governance standards, and compliance with the Energy Regulation Commission (ERC) procurement guidelines. In addition to his core responsibilities, he spearheads special projects aimed at modernizing procurement processes, strengthening contract management frameworks, and enhancing organizational resilience.

An electrical engineer by profession, he has over 30 years of experience in supply chain management and four years in equipment management. He began his career at *MERALCO* as a staff engineer, where he gained technical and operational expertise before becoming a procurement engineer. Over the years, he steadily advanced through leadership positions, serving as team leader and manager before rising to his current role as Head of Supply Chain Management.

He graduated Cum Laude from Far Eastern University with a degree in Electrical Engineering and is a Registered Electrical Engineer. He further enhanced his leadership and technical expertise through *MERALCO*'s New Frontier Program, which was conducted in partnership with Harvard Business School, as well as the *MERALCO* Power Engineering Program in his early years in *MERALCO*.

He has attended various local and overseas factory accreditation and factory inspection programs and also participated in international industry seminars and conferences, including Enlit and the Mobile World Congress in Europe. He likewise attended numerous professional seminars and training programs that strengthened his expertise in supply chain management.

EDDIE JOHN V. ADUG
Filipino, 56 years old
Vice President (since January 1, 2026)
Head, Retail Sales

Mr. Adug has over 35 years of experience in the Philippine power industry, with extensive expertise in retail electricity sales, key account management, and commercial operations within the Competitive Retail Electricity Market (CREM).

He currently serves as Head of Retail Sales of MPower, the Company's local Retail Electricity Supplier, where he leads the retail sales business within the *MERALCO* franchise area. His responsibilities include sales strategy development, customer acquisition, key account management, and revenue growth, ensuring compliance with Energy Regulatory Commission's regulations and alignment with the Retail Competition and Open Access (RCOA) framework. He oversees relationships with commercial, industrial, and institutional contestable customers and supports strategic market initiatives.

Prior to his current role, he was Strategic Account Manager of MPower from 2013 to 2021, handling retail sales, sales services, and customer relationship management. During this period, he led a special project overseeing retail sales activities in the Visayas as part of *MERALCO*'s pioneering expansion of its Retail business outside its franchise area through its affiliate Retail Electricity Supplier, Vantage Energy. Earlier, he served as one of Meralco's Relationship Managers from 2002 to 2013, managing corporate key accounts. He also held various technical and operational roles within *MERALCO*, including Branch Engineer, Project Engineer, and Design Engineer, gaining extensive experience in distribution system design, project-covered applications, and stakeholder coordination with business associations and local government units.

Mr. Adug graduated with a Bachelor of Science degree in Electrical Engineering from Mapua Institute of Technology and is a licensed Assistant Electrical Engineer. He also completed the Management Development Program at the Asian Institute of Management.

JOSEPH L. AMOSCO
Filipino, 57 years old
Vice President (since January 1, 2022)
Head, Energy Management, MPower

Mr. Amosco heads the Energy Management organization of the Retail Electricity Supply unit of the Company. He previously held headship positions in the Energy Sourcing Office of *MERALCO* and was part of the Management Team who established Meralco Energy, Inc.

He holds a Bachelor of Science degree in Mechanical Engineering from De La Salle University, a Bachelor of Science degree in Electrical Engineering and ranked 6th in the 1991 Mechanical Engineering Board Examinations. He completed his Master's in Management at the Asian Institute of Management.

ALDWIN CHRISTIAN C. ANG
Filipino, 44 years old
Vice President (since January 1, 2026)
Head, Treasury

Mr. Ang is a senior finance executive with over 19 years of experience spanning corporate treasury, project finance, risk management, capital markets, and financial advisory.

Prior to *MERALCO*, Mr. Ang held a leadership role at Asia United Bank, where he served as Vice President and Head of the FCDU Fixed Income Desk. He also served as Product Controller for Commodities at Barclays Capital in Singapore.

Mr. Ang started his career in financial services risk management at Sycip Gorres Velayo & Co. where he specialized in financial instruments valuation, IFRS compliance, and regulatory risk reviews.

He holds the Chartered Financial Analyst (CFA) designation, is a certified Financial Risk Manager (FRM) and is a Certified Public Accountant (CPA) in the Philippines. He earned degrees in Accountancy, Finance, and Management Accounting from Ateneo de Davao University and a Bachelor of Science in Management Information Systems from Ateneo de Manila University.

Mr. Ang concurrently serves as the Corporate Treasurer of the following MERALCO subsidiaries: Meralco Powergen Corporation and its subsidiaries, Customer Frontline Solutions, Inc., CIS Bayad Center, Inc., Meralco Industrial Engineering Services Corp., MIESCOR Builders Inc., MIESCLOR Logistics, Inc., Meralco Energy Inc., MSpectrum Inc., Radius Telecoms Inc., Meralco Financial Services Corp., Comstech Integration Alliance Inc., Movem Electric Inc., and Miescor Infrastructure Development Corp.

FRANCIS DINO S. ANTONIO
Filipino, 52 years old
Vice President (since January 1, 2025)
Head, Regulatory Legal Case Management

Atty. Antonio brings with him more than 20 years of experience in the electric power industry handling regulatory legal matters of the Company.

He started at the Company in 2004 as a regulatory staff-corporate legal, handling various legal and regulatory cases. In 2008, he responded to the call of the Company to join the newly created Regulatory Legal Office, which focused on the specialized field of energy law. Said Office became the clearing house of most, if not all, decisions related to regulatory matters. Said Office also handled the most critical, highly sensitive, and significant impact cases of the Company. He rose from the ranks and became its head in 2017. Due to the evolving regulatory landscape, in December 2019, Regulatory Legal Case Management was created, which he continues to head.

Atty. Antonio holds a Bachelor of Arts-Major in Economics from San Beda College and a Bachelor of Laws from Lyceum of the Philippines-College of Law. He attended the University of Florida-Public Utility Research Center's 40th International Training Program on Utility Regulation and Strategy. He has also completed the New Frontiers Pilot Batch Management Program.

REMIGIO R. ANGELES, JR.
Filipino, 55 years old
Vice President (since January 1, 2025)
Head, South Distribution Services

Mr. Angeles is responsible for the construction, operations and maintenance of electric distribution facilities in the southern part of the Company's franchise area which includes Provinces of Cavite, Laguna, Quezon and Batangas and Southern Metro Manila. He currently leads the task force for pole relocation projects of *MERALCO*.

With 33 years of work experience in *MERALCO*, he has been assigned to various technical offices of Networks assuming the role of an engineer as well as supervisor in engineering design, construction, maintenance and operations of electric distribution facilities, system analysis, and electric distribution asset management.

Mr. Angeles attained his Bachelor's Degree in Electrical Engineering from University of Santo Tomas. He is a licensed Registered Electrical Engineer and a lifetime member of the Institute of Integrated Electrical Engineers of the Philippines. He is a certified safety practitioner having attended successfully the Basic Occupational Safety and Health, Construction Occupational Safety and Health, Behavioral Based Safety and other related trainings. A certified in-house auditor for ISO 9001, 14001 and 45001.

PATRICK DAVE B. BACANI
Filipino, 55 years old
Vice President (since January 1, 2017)
Head, Sustainability Programs and Communications

Mr. Bacani has been with *MERALCO* since August 2012. He joined the Corporate Sustainability Office in September 2021. Prior to his current role, he performed various roles under Human Resources and Corporate Services. As an HR practitioner for over 25 years, Mr. Bacani served companies across various industries: 24/7, Convergys, Chevron, Change Management International, and SyCip Gorres Velayo & Co.

He holds a degree in Management major in Human Resources Management from De La Salle University - College of St. Benilde and Master's in Business Administration from De La Salle University.

JOSEPH ALLAN C. BALTAZAR
Filipino, 59 years old
Vice President (since January 1, 2016)
Head, Integrated Asset Management

Mr. Baltazar serves as Vice Chairman of the *MERALCO* Bids and Awards Committee for Power Supply Agreements and as Technical Lead of the Distributed Energy Resource Strategy Office.

He was a former Trustee of *MERALCO* Employees Fund for Charity, Inc. and former Director and Corporate Secretary of the Grid Management Committee. He was a member of the Wholesale Electricity Spot Market (WESM) Technical Committee under the Independent Electricity Market Operator of the Philippines.

Mr. Baltazar is a Professional Electrical Engineer and a graduate of Bachelor of Science in Electrical Engineering at Mapua Institute of Technology.

CHRISTOPHER REDEEMSON R. BROCALES
Filipino, 43 years old
Vice President (since January 1, 2025)
Head, Employee Relations and Shared Services HR

Atty. Brocales has extensive experience in Labor and Corporate Law, Labor Relations and Litigation, Government Affairs, and Human Resources. He currently serves as Head of Shared Services HR and Employee and Labor Relations of *MERALCO*. Concurrently, Atty. Brocales is Legal Counsel of the Meralco Employees Mutual Aid and Benefits Association, Inc. (MEMABA), and a Director of Customer Frontline Solutions, Inc. (CFS).

Prior to joining the Company, Atty. Brocales was Commission Attorney of the National Labor Relations Commission (NLRC) where he assisted the Commission in its appellate and adjudicatory functions. He also

served as Legal Counsel for the Office of Senator Juan Miguel Zubiri, subsequent to his stint as Legal and Legislative Officer for the Office of Senator Gregorio Honasan. Concurrent with the latter, Atty. Brocales was Legal Officer of the Joint Congressional Power Commission (JCPC).

Atty. Brocales is a member of the Philippine Bar, completed his Bachelor of Arts Degree in Development Economics from the San Beda University – Manila, and earned Juris Doctor from the Ateneo de Manila University.

SANTE C. BUELLA
Filipino, 59 years old
Vice President (since January 1, 2022)
Head, North Distribution Services

Mr. Buella has been with *MERALCO* since September 1990. Prior to his current assignment, he served as the Head of Energy Management. He also held various key positions under the Networks organization, such as Head of Central Distribution Services, and Head of Revenue Assurance and Metering Services.

Mr. Buella holds a Bachelor of Science in Electrical Engineering degree from the Technological Institute of the Philippines - Manila.

RICARDO CARMELO D. BUENAFE
Filipino, 57 years old
Vice President (since January 1, 2022)
Head, Regulatory Risk and Compliance

Mr. Buenafe has been the Head of Regulatory Risk and Compliance Office of *MERALCO* since 2008. He has been with *MERALCO* for 34 years. Prior to his appointment in his current role, he was part of the Executive Staff of the President and Chief Operating Officer, a member of the Interruption Frequency Rate/Cumulative Interruption Time Task Force Secretariat, and Power Quality Office and Technical Quality Assurance Staff. He attended the Public Utility Research Center World Bank International Training Program on Utility Regulation and Strategy at the University of Florida.

Mr. Buenafe holds a Bachelor of Science degree in Management Engineering from the Ateneo de Manila University and a Master of Business Administration degree from the University of the Philippines.

ALBERTO N. CASTILLO
Filipino, 59 years old
Vice President (since January 1, 2021)
Head, Sub-Transmission Services

Mr. Castillo has been employed by *MERALCO* for 37 years. Prior to his assignment as Head of Sub-transmission Services, he led the Substation Department for five (5) years with his expertise in substation construction, operation, and maintenance works.

Mr. Castillo holds a Bachelor Science degree in Electrical Engineering from the Mapua Institute of Technology. He is also a licensed Professional Electrical Engineer.

MA. CECILIA M. DOMINGO
Filipino, 57 years old
Vice President (since January 1, 2019)
Head, Distributed Energy Resource (DER) Strategy Office (since January 1, 2026)

Ms. Domingo now heads the Distributed Energy Resource (DER) Strategy Office, and is tasked with coming up with overall roadmap, strategy, risks and reports for DER, including aligning the program objectives across business units and advocating for energy transition initiatives within and outside the organization.

Prior to heading the DER Strategy Office, Ms. Domingo headed *MERALCO*'s Enterprise and National Government Team, looking after the needs of *MERALCO*'s top 2000 Enterprises, conglomerates, multinationals and national government accounts. She also serves as the President and Chief Executive Officer of MSpectrum, Inc., a wholly owned subsidiary of *MERALCO* providing solar solutions to all customers of *MERALCO* and even in the whole Philippines. She started in *MERALCO* as a cadet engineer in 1990 and has been assigned in different offices and positions within the Company.

LAWRENCE S. FERNADNEZ
Filipino, 57 years old
Vice President (since January 1, 2015)
Head, Utility Economics

Mr. Fernandez served as a Director of the Philippine Economics Society and was also a Director of the Energy Efficiency Practitioners of the Philippines (formerly Energy Management Association of the Philippines). He is a member of the Renewable Energy Market Governance Committee and represents private distribution utilities. Mr. Fernandez currently chairs *MERALCO*'s Bids and Awards Committee for Power Supply Agreements (BAC-PSA).

Mr. Fernandez received his Bachelor of Science degree in Mechanical Engineering from the University of the Philippines and is a licensed mechanical engineer.

MARVIN G. GONSALVES
Filipino, 58 years old
Vice President (since January 1, 2023)
Head, Revenue Assurance and Metering Services

Mr. Gonsalves has been with Meralco for more than three decades and currently heads the Revenue Assurance and Metering Services (RAMS) group, overseeing system loss management and metering-related governance and execution.

He is recognized as the Company's subject matter expert in electric metering, drawing on over 35 years of experience in the Networks Metering Group. Prior to his current role, he led Networks Technology Asset Management (August 2020 to February 2021) and subsequently headed the Project Portfolio Management Office (February 2021 to February 2023).

Mr. Gonsalves has authored key technical references used in Meralco's metering practice, including "kWh Meter Measurement Uncertainty" and "Impact Prediction of Variable Renewable Energy on Distribution

Systems Using AMI Technology." He also shares industry knowledge through professional engagements, including several presentations on Advanced Metering Infrastructure (AMI) for the Institute of Integrated Electrical Engineers (IIEE) Mid-year National Convention (2024).

Mr. Gonsalves was elected to the Board of Trustees of the Meralco Employees Mutual Aid and Benefits Association, Inc. (MEMABA) in 2023 and currently serves as its President, after completing a term as Chairman.

He earned his Master of Science in Electrical Engineering from the University of the Philippines–Diliman (2006) and is a PRC-licensed Professional Electrical Engineer (PEE).

DANILO R. IGNACIO[1]
Filipino, 60 years old
Vice President (since January 1, 2024)
Head, Networks Portfolio and Resource Management

Mr. Ignacio has been employed by *MERALCO* for 37 years and has held various positions in the Company. He earned his Bachelor of Science degree in Electrical Engineering in 1987 from the University of Santo Tomas. He is a registered Electrical Engineer.

ROBERTO D. ISIP, JR.[2]
Filipino, 57 years old
Vice President (since January 1, 2026)
Head, Networks Portfolio & Resource Management

Mr. Isip is currently the head of MERALCO's Networks Portfolio & Resource Management (NPRM) and manages the electric capital project portfolio, spend governance, contract and outsourcing, and foreign attachment organizations of the Company for the continuous and rigorous project execution, resource discipline and sustained support across MERALCO's distribution utility system. Before assuming his current role in the Company, he was the Head of MERALCO's Network Planning and Design where he managed the electric system planning and design organizations of the Company for the continuous improvement of the *MERALCO* distribution utility system.

As a 35-year veteran of *MERALCO*, he began as a planning engineer of the Electric System Planning department for thirteen years, where he was tasked with formulating the development plans of the company's electric distribution system, sub-transmission backbone and substation network. After this stint, he was assigned as a project manager of the Project Management Office of Networks for ten years, where he managed the implementation of key electric capital and rural electrification projects to expand the capacity and reach of the *MERALCO* system, while coordinating with various external entities such as the Philippine Department of Energy (DOE), various local government units, generation companies and the National Grid Corporation of the Philippines (NGCP) to ensure successful completion. He was then promoted as the manager of Network Asset Planning and served in this role for nine years, managing the preparation of electric system development plans for system adequacy and reliability, as well as the conduct of Distribution Impact Studies for embedded generation and large customers. In this capacity he also maintained his

[1] Mr. Ignacio retired from the Company on March 31, 2026.

[2] Following the retirement of Mr. Ignacio from the Company on March 31, 2026, Mr. Isip assumed the role of Head, Portfolio and Resource Management effective April 1, 2026.

organization's compliance with the rules and procedures of the Electric Power Industry Reform Act or EPIRA (R.A. 9136) as well as various regulatory rules and policies on planning process and projects set forth by the Energy Regulatory Commission (ERC) and the Philippine DOE. Over the last two years, Mr. Isip served as the head for *MERALCO*'s Network Planning and Project Management (NPPM) and NPD departments.

Mr. Isip completed his Bachelor of Science degree in Electrical Engineering at the Mapua Institute of Technology. He is a licensed Professional Electrical Engineer (PEE), and an ASEAN Chartered Professional Engineer (ACPE). He also completed the New Frontier Middle Management Program Batch 3 of *MERALCO* in 2016. He has also been assigned to represent Meralco at numerous technical international conferences, the latest of which was the CIGRE conference held in Paris, France in 2024.

EDELIZA T. LIM
Filipino, 51 years old
Vice President (since January 1, 2025)
Head, Marketing and Brand Experience

Ms. Lim leads a dynamic team responsible for the governance and holistic management of the *MERALCO* brand equity and reputation, ensuring consistent messaging and representation of the *MERALCO* brand in all forms and across all channels for One Meralco. She oversees the development and execution of comprehensive marketing strategies based on consumer data and market research to deliver the optimum user and customer experience for residential, government and business customers of the distribution utility.

Prior to joining *MERALCO*, she thrived in the cut-throat telecommunications industry, driven to ensure that Filipinos nationwide had access to connectivity, developing products, promotions and campaigns based on their needs, life stages and capabilities. The teams she led in PLDT were instrumental in managing the long tail of voice, maximizing its profitability with toll features, prepaid lines and cards, while encouraging the transition to digital through convergent PLDT-Smart products and future home offerings.

Ms. Lim is a seasoned marketing executive with extensive experience through key roles in multiple industries including banking and credit cards within the finance sector (Citytrust/ BPI and AIG), personal care in fast-moving consumer goods (Swedish company SCA), and oral health and consumer healthcare in pharmaceuticals (GSK). Her experience in both local and multinational companies, leading teams in product development and category management, corporate and product branding, strategic marketing, and consumer insighting has equipped her with a comprehensive understanding of market dynamics and consumer behavior.

Ms. Lim completed her Bachelor's Degree in Management Economics from the Ateneo de Manila University. She earned her Master's in Business Administration with distinction from the Regis Program of the Ateneo Graduate School of Business and is UX Certified by the British Computer Society. She was part of *MERALCO*'s pioneer batch of New Frontiers by Harvard Business Review.

ARIEL G. LUCAS
Filipino, 58 years old
Vice President (since January 1, 2024)
Head, Central Distribution Services

Mr. Lucas also served as the Chairman of the Meralco Employees Mutual Aid and Benefits Association, Inc. from 2019 until 2021, and was its Vice-Chairman the year prior.

Mr. Lucas graduated from Mapua Institute of Technology with a Bachelor's degree in Electrical Engineering. He is a certified Electrical Engineer.

Mr. Lucas completed the New Frontier Middle Management Course at Harvard Business Consulting from 2015 to 2016.

ERVILLE D. MAGTUBO
Filipino, 51 years old
Vice President (since January 1, 2022)
Head, Customer Care Group

Mr. Magtubo is an expert in IT services and outsourcing services with 29 years of experience in these areas. As the head of the Customer Care Group of *MERALCO*, he plays a crucial role in planning, leading, and steering the organization towards digital transformation with focus on delivering Customer Experience.

Prior to joining *MERALCO* in August 2020, he was part of the ePLDT Group for 12 years. He was an Assistant Vice-President and Head of the Systems Integration Group that provided various IT integration services for the customers of ePLDT. He was later appointed as Vice President and General Manager of iPlus Intelligent Networks, Inc., a subsidiary of ePLDT that provides managed IT services and outsourcing services. Concurrent to this assignment, he served as the Sales Director of Infocom Technologies, Inc., another subsidiary of ePLDT that provided connectivity services and contact center services. Before joining ePLDT, he was the Channels Manager for Southeast Asia and India of Internet Security Systems, a U.S. based data security company.

Mr. Magtubo graduated with a Bachelor's Degree in Computer Science from the University of the Philippines.

RALPH M. MENCHAVEZ
Filipino, 40 years old
Vice President (since January 1, 2024)
Head, Strategy Performance and Energy Solutions

Mr. Ralph M. Menchavez is Vice President and Head of Strategy Performance and Energy Solutions. He is a seasoned executive with two decades of experience in strategy, analytics, business performance improvement, project execution, and value realization across diverse industries in both the Philippines and the United States.

In his current role, Mr. Menchavez leads commercial strategy development for key customer initiatives, strategy management, and business performance monitoring. He also serves as an internal consultant and subject matter expert on business casing, enabling cross-functional strategy development and analysis for high-impact initiatives such as customer experience transformation. He also spearheads the conceptualization, development, and rollout of innovative energy solutions that leverage emerging and mature technologies, including advanced metering infrastructure, net metering, and electric vehicles.

Concurrently, he is the Program Manager of the One Meralco Electric Vehicle Adoption Program, which aims to accelerate the transition of customers and stakeholders into the EV ecosystem. Through this

role, he is an active member of the Electric Vehicle Association of the Philippines (EVAP). He also pioneered the use of big data analytics for energy sales forecasting and energy solutions insights.

Prior to joining Meralco in 2013, Mr. Menchavez spent seven years as a management consultant in the United States, most recently as a Senior Engagement Manager at Mitchell Madison Group, a global management consulting firm. He advised C-suite executives of mid- to large-cap companies across industries including airlines, telecommunications, insurance, media and entertainment, and publishing. His expertise includes strategic sourcing, outsourcing and cost reduction, negotiations, business modeling, and demand and process reengineering. The engagements he led and supported delivered nearly USD 500 million in bottom-line impact for clients, with project assignments across New York, Los Angeles, Atlanta, Little Rock, and Honolulu.

Mr. Menchavez earned his degree in Economics, with a minor in Global Politics, from Ateneo de Manila University in 2006. He has attended the Chief Strategy Officer Summit in San Francisco to further strengthen his capabilities in long and medium-term corporate strategy development and has completed the New Frontiers Management Program of *MERALCO* in 2014.

JOY P. MENDOZA
Filipino, 46 years old
Vice President (since January 1, 2026)
Head, Home & Micro Business, Central Business Area

Ms. Mendoza is an accomplished leader in customer operations, service transformation, and digital innovation, with over 23 years of experience at *MERALCO*. She currently heads the Home and Micro Business segment in the Central Business Area. She led key transformation programs, including the development of digital platforms, modernization of service applications, and process automation initiatives to improve customer experience and service delivery. Under her leadership, *MERALCO* rolled out the Certified by Meralco (CBM) platform and Digital Service Application, both a first for the company.

Prior to her current role, Ms. Mendoza served as Head of the BIZ Partners Group from 2019 to 2023. She played a pivotal role in expanding *MERALCO*'s SME customer base by strengthening partnerships, accelerating project energization, and improving the overall customer journey from application to service activation. Under her leadership, structured engagement frameworks and dedicated partnership management were implemented to ensure timely project completion, enhance customer experience, and drive greater adoption of MERALCO's energy solutions. These initiatives contributed to business growth, improved service accessibility for enterprise customers, and reinforced *MERALCO*'s position as a trusted partner in enabling commercial and property developments.

She also served as Head of the Renewables Program Management Office from 2018 to 2019, where she helped advance *MERALCO*'s renewable energy initiatives by supporting the development and implementation of solar and sustainability programs. Earlier, as Utilities Industry Lead for Private Sector Relationship Management, she managed strategic relationships with key private sector stakeholders, strengthening collaboration and supporting the expansion of *MERALCO*'s energy services across priority industries.

Ms. Mendoza completed the Advanced Management Program at the Asian Institute of Management. She earned her Bachelor of Arts degree in Community Development from the University of the Philippines Diliman.

RODERICK DENNISON N. NACU
Filipino, 54 years old
Vice President (since January 1, 2023)
Head, Tariff Management

Mr. Nacu is the Head of Tariff Management since 2018. He joined *MERALCO* in 1994 and was part of the *MERALCO* Mechanical Engineering Program, Non-Technical System Loss Reduction Program and Utility Economics.

Mr. Nacu holds Bachelor of Science in Mechanical Engineering and Master of Business Administration degrees from the University of the Philippines. He is a licensed mechanical engineer.

NOEL S. PORCIUNCULA
Filipino, 57 years old
Vice President (since January 1, 2024)
Head, Customer Process and Revenue Assurance

Prior to his appointment as Head of Customer Process and Revenue Assurance, Mr. Porciuncula was an Assistant Vice President and Head of *MERALCO*'s South Business Area where he managed ten Business Centers, four Auxiliary Business Centers and six Extension Offices. Prior to this, he held various positions in the Company from 2003 until 2020.

Mr. Porciuncula graduated from Mapua Institute of Technology with a Bachelor's degree in Electrical Engineering. He completed the Management Development Program of the Asian Institute of Management in 2007, and the Middle Manager's Development Program of the Harvard Business School in 2014.

PAUL JAYSON I. RAMOS
Filipino, 43 years old
Vice President (since July 1, 2024)
Chief Investor Relations Officer

Paul Jayson "Peejay" Ramos brings over 17 years of experience in the Philippine equity market, with a strong foundation in institutional equities sales. Throughout multiple market cycles, he has developed deep expertise in investor engagement, capital markets communication, and relationship management, earning the trust of domestic and foreign institutional investors.

Prior to joining *MERALCO*, Mr. Ramos spent 17 years with Maybank Securities, formerly ATR Kim Eng Securities, where he last served as Senior Vice President. In this role, he provided investment recommendations to institutional clients, anchored on both fundamental research and technical analysis. He played a key role in strengthening engagement between corporate issuers and the investment community through corporate access initiatives, strategy briefings, and research presentations.

Mr. Ramos began his career in 2007 as a Sales Associate for Institutional Sales after securing his Securities Representative license from the Securities and Exchange Commission. He progressed through successive leadership roles—Manager, Assistant Vice President, Vice President, and ultimately Senior Vice President—where he led major institutional accounts and contributed significantly to the firm's growth and profitability.

Widely respected within the investment community, Mr. Ramos was recognized as the Best Equities Salesperson by the Fund Managers Association of the Philippines (FMAP) from 2016 to 2019 and again from 2021 to 2022. He was also a core member of the team awarded Best Equities Sales Team by FMAP for multiple years between 2008 and 2023.

He holds a Bachelor's Degree in Management Economics from Ateneo de Manila University.

Mr. Ramos joined *MERALCO* in July 2024 and now leads initiatives that strengthen the Company's engagement with the investment community. Under his tenure, research coverage of *MERALCO* expanded from 20 analysts at the time of his appointment—14 of whom were active—to 23 research brokerage firms by the end of 2025, with 19 maintaining active coverage. Through disciplined and transparent communication of financial performance, operating highlights, and strategic priorities, he supports Meralco's commitment to enhancing long-term shareholder value.

JOSE S. REYES, JR.
Filipino, 56 years old
Vice President (since January 1, 2018)
Head, Networks Technology Management

Mr. Reyes is a Professional Electrical Engineer with extensive expertise in electric distribution asset and technology management, construction, repair and maintenance, power system analysis, and electric power system quality. He plays a pivotal role in *MERALCO*'s smart grid modernization and digitalization program, including the implementation of its advanced metering infrastructure. Since 2022, he serves as the chairman of the technical working group on smart grid and asset management for the Association of the Electricity Supply Industry of East Asia and the Western Pacific (AESIEAP).

Mr. Reyes has been with *MERALCO* since 1991, starting as a Cadet Engineer, where he earned Academic Excellence and Exemplary Leadership awards. Over the years, he has held various key positions in electric power distribution, power quality, and grid modernization. He led North Distribution Services in 2016, Network Technology and Asset Management in 2021, and was appointed to his current role in 2024. His exceptional contributions have earned him recognition as one of *MERALCO*'s outstanding employees in the Supervisory Category in 2008 and 2009, and his office under his headship then, received the *MERALCO* Presidential Awards for Technical Services in 2005 and 2008. In 2025, he was recognized with the Mapua Electrical Engineering Alumni Association (MEEAA) Excellence Award for Electrical Engineering Practice in Power Distribution.

Mr. Reyes holds a Bachelor of Science degree in Electrical Engineering from the Mapua Institute of Technology. He completed his Master of Science degree in Electrical Engineering from the University of the Philippines and is currently pursuing a Doctorate Degree in Electrical and Electronics Engineering from the same university. He has also completed the Management Development Program at the Asian Institute of Management with an Academic Excellence award, the New Frontiers Middle Management Program with an Outstanding Action Learning Project award, and the ASEAN Business Leaders Program held in Singapore and Tokyo. He is a Life Member of the Institute of Integrated Electrical Engineers of the Philippines, Inc. and is the current President of the University of the Philippines Electrical and Electronics Engineers Alumni Association Inc. (UPEEEAAI). Additionally, he has served as the President and is a current Trustee of the Meralco Employees Fund for Charity, Inc. (MEFCI).

ANDREW JASON B. TAN
Filipino, 36 years old
Vice President (since July 16, 2023)
Head, Business Development

Mr. Tan serves as Vice President and Head of Business Development at *MERALCO*, playing a pivotal role in driving *MERALCO*'s expansion efforts through mergers and acquisitions, strategic partnerships, and special projects aimed at advancing the Company's long-term growth initiatives.

Concurrently, he serves as a Director of On-Us Solutions Inc. ("BYAHE"). Prior to joining *MERALCO*, Mr. Tan served as the Assistant Vice President for Business Development at Aboitiz Power Corporation and was a former Manager with Citibank N.A.

Mr. Tan earned his Bachelor of Science degree in Management Engineering from the Ateneo de Manila University. He completed his Master of Business Administration degree from Singapore Management University in 2014 where he graduated as Valedictorian.

JEFFREY O. TARAYAO
Filipino, 46 years old
Vice President (since January 1, 2022)
Chief Corporate Social Responsibility Officer
President, One Meralco Foundation (since June 2011)

Mr. Tarayao has led and managed corporate social responsibility (CSR), community relations, sustainability, and communications programs in the last 25 years. He is a Global Reporting Initiative- certified sustainability reporting specialist. When he joined *MERALCO* in 2011, he led the transformation of its CSR and community relations initiatives into a more strategic and business- aligned program. He is currently a member of the advisory board of the League of Corporate Foundations (where he also previously served as Chairman), Trustee of the International Association of Business Communicators Philippines, the Archdiocese of Manila's Caritas Margins program and is a member of the Management Association of the Philippines. He also served in the board of trustees of the Humanitarian Leadership Academy based in London, United Kingdom from 2016 to 2019 and was President of the Coalition for Better Education. He is an Asia 21 Fellow of the Asia Society, a group of emerging leaders of Asia and was chosen as one of the 40 under 40 International Development Leaders by the Washington DC-based Development Exchange in 2012. Mr. Tarayao was also recognized with a Gold Award (2023) and Silver Award (2025) for Thought Leadership in the Non-Profit and Government Sectors by the International Business Awards held in Rome, Italy and Lisbon, Portugal respectively. Prior to joining *MERALCO*, he served as Head of Community Relations and CSR of Globe Telecom, Inc.

Mr. Tarayao obtained his Master of Sustainable Development degree from Macquarie University in Sydney, Australia in 2018 as an Australia Awards Scholar and completed his undergraduate studies from the University of Santo Tomas, Manila, Philippines where he also served as a lecturer on Corporate Social Responsibility and Good Governance in the College of Commerce and Business Administration.

MARILENE P. TAYAG
Filipino, 53 years old
Vice President (since January 1, 2024)
Chief Information Security Officer

Ms. Tayag has 30 years of experience in the field of Information and Communications Technology. She has held various Technology leadership positions in her career, having managed diverse teams – both offshore and onshore. She has 17 years of telecommunications industry experience, 12 years of information security, and more than 14 years of consulting and service delivery experience. She managed large portfolio projects across various sectors, such as distribution, manufacturing, retail, food, banking, communications, and transportation industries.

Prior to her joining *MERALCO*, she was the Global Cybersecurity Managed Services Delivery Excellence Leader and the Technology Consulting Executive Director for Ernst and Young (EY) Global Delivery Services Philippines. Before EY, she held the position of Vice President/Deputy Chief Information Security Officer for the PLDT Group, having primary responsibility of formulating and executing the company's cyber strategy and program roadmap, as well as the operationalization of various cybersecurity processes. She was also then the concurrent Group CISO of ePLDT, the ICT arm of PLDT Group, having responsibility over for the company's cybersecurity business portfolio, which includes ownership of the P&L, go-to-market activities, client service delivery, and operations management – serving customers, the parent company, its subsidiaries, and affiliate firms.

Preceding her role as a cybersecurity leader, she was the Head for Smart's Technology Program Management Office (PMO) responsible for the delivery of key technology programs – Telco Core Network, Compliance, Security, Governance, and Customer Service Platforms.

In 2012, Ms. Tayag worked as a Consulting Manager for Amdocs Philippines, a global telecommunications consulting firm where she led the implementation of both the Data warehousing and the Mobile Virtual Network Operator (MVNO) strategic initiatives for one of the major telecommunications service providers in the country.

Ms. Tayag worked for Hewlett-Packard (HP) as a Customer Program Manager based in Manila. She reported to the ASEAN Delivery Manager in Singapore and worked closely with the regional Professional Services Organization (PSO) in delivering projects for key accounts in the Philippines.

In 2004, she was a Senior Principal Consultant in Oracle Consulting Services, delivering technology projects and ERP solutions to various client organizations in the Philippines and the Asia Pacific. She assumed a concurrent Bid Management role in Oracle, where she teamed up with Sales Managers during the pre-sales cycle, providing her delivery expertise to manage and respond to bids – establishing project plans, estimating implementation efforts, writing proposals, and facilitating client oral presentations.

Prior to her Consulting career, she served as the IT Systems Implementation and Support Director for Nextel Communications, where she held both delivery and support responsibilities for the organization's Customer Care and Billing system and Operational Support systems (in-house developed as well as packaged applications).

Her other business and functional exposures include Financials, Distribution, Order Management, Manufacturing, CRM, Data Warehousing, Telco Billing, and IT Performance Management.

She started her career as a cybersecurity professional performing analysis and debugging of malwares and providing technical support to Trend Micro clients.

Ms. Tayag is a BS Computer Engineering graduate and has acquired various post-graduate technology and cybersecurity trainings and certifications throughout her career. She was an adjunct faculty of the Asian Institute of Management (AIM), having delivered Cybersecurity Executive Courses (CECs) for the institute.

PAOLA MARGUERITE A. VERAYO
Filipino, 42 years old
Vice President (since January 1, 2024)
Head, Revenue HR & Corporate Talent Management

Ms. Verayo is currently the Head of Customer Relations and Services - HR of *MERALCO*. She has over 20 years of experience in Human Resources, having led the Learning & Development, Talent Management and Organization Development functions in the Company before taking on her recent role in Corporate Talent Management and HR Business Partnering.

She is a cum laude graduate of the Ateneo De Manila University with a degree in Interdisciplinary Studies, minoring in Communications and Sociology. She completed her Master's in Business Administration degree from De La Salle University as well as the Executive Human Resource Management Program of the University of Michigan - Michigan Ross School of Business.

MARIA ZARAH R. VILLANUEVA-CASTRO
Filipino, 55 years old
Vice President (since January 1, 2019)
Head, Corporate Legal Services

Atty. Villanueva-Castro also serves as director of Meralco Financial Services, Inc. and Corporate Secretary of One Meralco Foundation, Comstech Integration Alliance, Inc., Meralco Pension Fund, Meralco Employees Fund for Charity, Inc., Pure Meridian Hydropower Corporation, Inc., and Meralco Employee Savings and Loan Association. She is also a part-time professor of law and a bar review lecturer for Mercantile Laws.

Atty. Villanueva-Castro holds a Bachelor of Arts degree major in Political Science from the University of the Philippines and a Bachelor of Laws degree from San Beda University.

JOCELYN C. VILLAR-ALTAMIRA
Filipino, 54 years old
Vice President (since January 1, 2024)
Head of the Corporate Governance and Compliance Group (since March 1, 2014)

Atty. Altamira is a Corporate Governance and Compliance expert with more than two decades of experience in both fields.

Prior to joining MERALCO, she worked for the following government agencies: Securities and Exchange Commission as an Assistant Director of the Enforcement and Corporation Finance Departments, the Civil Aeronautics Board as a Chief Hearing Officer, and the Senate of the Philippines as a Supervising Legislative Officer. She was briefly part of Citadel Holdings as a Legal Officer after her stint as an Associate at Ponce Enrile, Reyes & Manalastas (Pecabar) Law Office. She also taught Business Law at Entrepreneurs School Asia (formerly Thames Business School) from 2000 to 2002.

Outside of the MERALCO Group, she is a Trustee and Vice-Chairman of the Good Governance Advocates and Practitioners of the Philippines (GGAPP). GGAPP is an association whose aim is to empower and enhance the capacity of ethics, compliance and governance officers through consensus building, research and by engaging regulators and non-government actors in the fields of business ethics and corporate governance particularly in policy reform and capability-building. She is a graduate member of the Institute of Corporate Directors, an organization dedicated to the professionalization of Philippine corporate directorship as well as raising the level of the country's corporate governance policy and practice to world class standards. It is also the Domestic Ranking Body for the Philippines in the ASEAN CG Scorecard Experts Group. She is also the Chairperson of the Corporate Governance Committee of the Philippine Chamber of Commerce and Industry (PCCI).

She graduated with Second Honors from Ateneo Law School where she obtained her Juris Doctor degree. She earned her Leadership Professional in Ethics and Compliance Certificate from the Ethics and Compliance Initiative (ECI), the oldest international (established in 1922) non-profit organization in the ethics and compliance industry.

AGAPITO R. ZALDARRIAGA
Filipino, 62 years old
Vice President (since December 1, 2020)
Head, Corporate Communications

Mr. Zaldarriaga serves as the Head of Corporate Communications since December 1, 2020. He was the Head of the Public Information Office under the Corporate Communications group of *MERALCO* from 2016 to 2020. He is currently the Chairman of the International Association of Business and Communications of the Philippines since 2018 and served as its President from 2016 to 2018.

Mr. Zaldarriaga earned his bachelor's degree in Asian Studies in 1985 from the De La Salle University.

Attendance of Directors in Board and Committee Meetings

Below is the record of attendance of the directors for the year 2025:

2025 ASM AND BOARD MEETING ATTENDANCE			
Name	**Designation**	**Annual Stockholders' Meeting**	**Board Meetings[3]**
Manuel V. Pangilinan	Chairman	Present	15/16
Lance Y. Gokongwei	Director	Present	16/16
Ray C. Espinosa	Director	Present	16/16
June Cheryl A. Cabal-Revilla	Director	Present	16/16
James L. Go	Director	Present	16/16
Patrick Henry C. Go	Director	Present	16/16
Jose Ma. K. Lim	Director	Present	16/16

[3] Regular, Special, and Organizational Board Meetings

Victorico P. Vargas	Director	Present	16/16
Lydia B. Echauz	Independent Director	Present	16/16
Artemio V. Panganiban	Independent Director	Present	16/16
Pedro Emilio O. Roxas	Independent Director	Present	16/16

2025 BOARD COMMITTEE MEETING ATTENDANCE				
Name	**Finance**	**Audit**	**Risk Management**	**Related Party Transactions**
Manuel V. Pangilinan				
Lance Y. Gokongwei	10/12			
Ray C. Espinosa			1/2	2/2
June Cheryl A. Cabal-Revilla	12/12	5/6		
James L. Go	12/12	5/6	2/2	1/2
Patrick Henry C. Go		6/6	2/2	2/2
Jose Ma. K. Lim	12/12	5/6	2/2	2/2
Victorico P. Vargas	11/12			
Lydia B. Echauz	12/12	6/6		
Artemio V. Panganiban		6/6	2/2	2/2
Pedro Emilio O. Roxas	12/12	5/6	2/2	2/2

2025 BOARD COMMITTEE MEETING ATTENDANCE				
Name	**Nomination and Governance**	**Remuneration and Leadership Development**	**Executive**	**Sustainability**
Manuel V. Pangilinan		5/5	-	1/1
Lance Y. Gokongwei		5/5	-	0/1
Ray C. Espinosa				
June Cheryl A. Cabal-Revilla	4/4			1/1
James L. Go	2/4		-	
Patrick Henry C. Go	4/4			1/1
Jose Ma. K. Lim	4/4		-	
Victorico P. Vargas		4/5		
Lydia B. Echauz	4/4			
Artemio V. Panganiban			-	
Pedro Emilio O. Roxas	4/4	5/5		1/1

Board Assessments

The Board recognizes the importance of a regular performance assessment, individually and collectively, as part of their accountability. Assessments are conducted annually to evaluate their specific and overall performance for the past calendar year. The Board evaluated their individual and collective performances regarding the Board and its committees' structures, processes, and responsibilities. The assessment likewise identified the training and skills development program needed by the Board. The Board also reviewed the performance of the Company's key officers. Four (4) assessment instruments with corresponding evaluation criteria were accomplished by the directors, namely the Collective Board Assessment, Individual Director's Self-Rating, Key Officers' Rating, and the Board Committee Assessment. The assessment criteria or metrics include board structure and qualification, board duties and responsibilities, duties and responsibilities as an individual director, and board committee functions and overall performance vis-à-vis the respective charters. The aggregated results are presented to the Board during meeting immediately following the end of the assessment process.

Every three years, the assessments are supported by an external facilitator. In 2023, the Company engaged the services of the Good Governance Advocates and Practitioners of the Philippines (“GGAPP”) as external facilitator in the evaluation of the 2022 performance of the board, board committees, and key officers.

Significant Employees

The Company considers its whole manpower complement working as a team as imperative in the attainment of its goals. The Company has no employee who is not an executive officer and who is expected to make individually on his own a significant contribution to the business.

Family Relationships

Mr. James L. Go is the uncle of Mr. Lance Y. Gokongwei and Mr. Patrick Henry C. Go, all of whom are Directors of the Company.

Ms. Maria Luisa V. Alvendia, the Chief Supply Chain Officer of the Company, is the first cousin of Mr. Jose Ma. K. Lim, and Mr. Victorico P. Vargas, who are both directors of the Company.

Ms. Charina P. Padua, the Head of Customer Retail Services of the Company, is a cousin-in-law of Mr. Victorico P. Vargas, a director of the Company.

Mr. Redel M. Domingo, the Head of Mpower is married to Ms. Ma. Cecilia M. Domingo, the Head of the Distributed Energy Resource (DER) Strategy Office.

Mr. Ireneo B. Acuña, the Head of Utility Partnerships and Mr. Luisito B. Acuña, the Head of DU-Supply Chain Management, are brothers.

Ms. Joy P. Mendoza, the Head of Home & Micro Business, Central Business Area, and Mr. Noel S. Porciuncula, the Head of Customer Process and Revenue Assurance, are siblings.

Other than the foregoing, there are no family relationships up to the fourth civil degree, either by consanguinity or affinity, among directors, executive officers, or nominees.

Involvement in Certain Legal Proceedings

No director, nominee for election as director, or executive officer of the Company has been involved in or the subject of, during the past five (5) years up to the latest date, any of the following events that is material to an evaluation of his ability or integrity to serve *MERALCO*: (a) bankruptcy petition; (b) conviction by final judgment in a criminal proceeding; (c) order, judgment, or decree barring, suspending, or limiting involvement in any type of business, securities, commodities, or banking activities; (d) judgment for violation of a securities or commodities law or regulation.

Certain Relationships and Related Transactions

Except with respect to the Related Party Transactions as discussed in Note 23 to the consolidated financial statements as at December 31, 2025 and 2024 and for each of the three (3) years in the period ended December 31, 2025, there was no transaction during the last three (3) years involving *MERALCO* in which any of its directors or executive officers, any nominee for election as director, or security holder owning 10% or more of *MERALCO's* total outstanding shares and members of their immediate family had a material interest.

Resignation of Directors

To date, no director has resigned or declined to stand for re-election for the Board due to any disagreement with the Company relative to the Company's operations, policies, and practices.

Item 6: Compensation of Directors and Officers

Compensation of Officers

The aggregate annual compensation for the last two fiscal years and projected compensation for the ensuing year of *MERALCO*'s Chief Executive Officer ("CEO") and four most highly compensated executive officers, as a group, and all other key officers, other officers, and directors, as a group, are as follows:

NAME	YEAR	SALARIES[1]	BONUS[2]	OTHER ANNUAL COMPENSATION[3]
		Amounts in Millions PhP		
Chief Executive Officer (CEO) and four (4) most highly compensated executive officers[4]	Projected 2026	173	560	25
	2025	172	167	21
	2024	142	101	16
All other key officers, other officers and directors as a group (excluding the CEO and four most highly compensated executive officers)	Projected 2026	444	886	54
	2025	405	272	50
	2024	347	194	42

[1] Basic salaries and allowances.
[2] Includes government-mandated payout and variable pay.
[3] Commutation of unused leave benefits.
[4] Comprised of the following: Manuel V. Pangilinan, Chairman and CEO; Betty C. Siy-Yap, Senior Vice President and Chief Finance Officer; Ronnie L. Aperocho, Executive Vice President and Chief Operating Officer; William S. Pamintuan, Senior Vice President, Chief Legal Counsel, Assistant Corporate Secretary, Compliance Officer and Head, Legal and Corporate Governance Office; Edgardo V. Carasig, Senior Vice President, Chief Human Resources Officer, and Head, Corporate Services.

Incentives and Benefit Plans

Retirement Benefits

The Company and certain subsidiaries have distinct, funded, noncontributory defined benefit retirement plans covering all permanent employees. The Company's retirement plan provides for post-retirement benefits for employees hired as at December 31, 2003. Retirement benefits for employees of the Company hired beginning January 1, 2004 are for defined payment upon retirement of qualified employees.

Defined Contributory Provident Plan

The Company has a contributory provident plan introduced which took effect on January 1, 2009, and is intended to be a supplemental retirement benefit for employees hired beginning January 1, 2004. The participation in this plan is voluntary.

Long-term Incentive Plan

The Long-term Incentive Plan (LTIP) of the Company covers qualified employees and is based on the Meralco Group's achievement of specified metrics which are approved by the Board of Directors and

determined on an aggregate basis for a three (3)-year period as well as employees' attainment of a minimum level of performance rating. Employees invited to LTIP must serve a minimum uninterrupted period to be entitled to an award. Further, the employee should be on active employment at the time of pay-out.

Except as provided in the plans described above, there are no other agreements or arrangements pursuant to which officers of the Company may be entitled to receive any cash or non-cash compensation, or any benefits or payments in case of termination of employment or a change in control of the Company.

Compensation of Directors

All directors are entitled to a reasonable per diem for their attendance in meetings of the Board of Directors and Board Committees plus an additional compensation, provided that the total value of such additional compensation, in whatever form so given, shall not exceed 1% of the income before income tax of the Company during the preceding year.

On April 28, 2025, the Board of Directors of the Company endorsed for approval of the stockholders, an increase in the per diem from ₱140,000.00 to ₱200,000.00 for each board meeting attended by each director. For each board committee meeting attended by each director[4], an increase in per diem from ₱24,000.00 to ₱50,000.00 was likewise endorsed for approval of the Company's stockholders. The increase was approved by the stockholders of the Company during their annual meeting held on May 27, 2025. The increase took effect on June 1, 2025.

The members of the Board of Directors are entitled to a stock grant based on a pre-approved number of shares for each Director which was implemented beginning May 2013 as approved by the Stockholders. The Directors have the option to receive the number of shares granted or the equivalent cash value. The members of the Board of Directors have no stock options or warrants, and any shares of the Company's stock granted to them are purchased from the market.

The Company does not have a standard compensatory arrangement on the remuneration of its existing directors aside from the compensation herein stated.

Below are the details of the remuneration paid to the directors in 2025:

	Remuneration for Board Meetings Attended in 2025	Remuneration for Committee Meetings Attended in 2025	TOTAL
EXECUTIVE DIRECTOR			
Manuel V. Pangilinan	₱2,040,000.00	₱222,000.00	₱2,262,000.00
NON-EXECUTIVE DIRECTORS			
Lance Y. Gokongwei	₱2,240,000.00	₱594,000.00	₱2,834,000.00
June Cheryl A. Cabal-Revilla	₱2,240,000.00	₱814,000.00	₱3,054,000.00
Ray C. Espinosa	₱2,240,000.00	₱98,000.00	₱2,338,000.00
James L. Go	₱2,240,000.00	₱892,000.00	₱3,132,000.00
Patrick Henry C. Go	₱2,240,000.00	₱542,000.00	₱2,782,000.00

[4] Each member of the Audit, Risk Management, Remuneration and Leadership Development, Finance, Governance, Related Party Transactions, Sustainability and Nomination Committees is entitled to receive a per diem for every committee meeting attended.

Jose Ma. K. Lim	₱2,240,000.00	₱964,000.00	₱3,204,000.00
Victorico P. Vargas	₱2,240,000.00	₱568,000.00	₱2,808,000.00
INDEPENDENT DIRECTORS			
Lydia B. Echauz	₱2,240,000.00	₱840,000.00	₱3,080,000.00
Artemio V. Panganiban	₱2,240,000.00	₱370,000.00	₱2,610,000.00
Pedro Emilio O. Roxas	₱2,240,000.00	₱1,160,000.00	₱3,400,000.00
TOTAL INDEPENDENT DIRECTORS	**₱6,720,000.00**	**₱2,370,000.00**	**₱9,090,000.00**
GRAND TOTAL	**₱24,440,000.00**	**₱7,064,000.00**	**₱31,504,000.00**

Insurance of Directors and Officers

The Directors and Officers are covered by a Casualty Line Insurance Policy effective until June 27, 2026. The policy covers Company Securities, Company Employment Practices Breach, Regulatory Crisis Event Costs, Investigation Costs, Public Relations Expenses, Investigation Costs for Derivative Demands, Tax Liability, and other additional limits such as Bodily Injury and Property Damage Defense Costs, Health and Safety Defense Costs, Gross Negligence Manslaughter Defense Costs and Environmental Violation (Defense Costs Including Civil and Administrative Fines).

Independent Public Accountants

The independent public accountants of the Company is the accounting firm, SyCip Gorres Velayo & Co. ("SGV"). The audit of the consolidated financial statements of *MERALCO* and subsidiaries was led and signed by the engagement partner, Mr. Roel E. Lucas, who issued a statement confirming the independence of SGV with respect to the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines adopted by the Philippine Board of Accountancy.

The terms of engagement, scope of services, and fees of the external auditors were reviewed and approved by the Audit Committee. The Audit Committee is composed of seven (7) members and is chaired by Lead Independent Director, Retired Chief Justice Artemio V. Panganiban. Of the committee members, Pedro Emilio O. Roxas and Lydia B. Echauz serve also as independent directors. The other members are Directors Jose Ma. K. Lim, James L. Go, Patrick Henry C. Go, and June Cheryl A. Cabal Revilla.

The representatives of SGV will be present during the annual meeting and will be given an opportunity to make a statement or respond to questions, if necessary.

Pursuant to the General Requirements of SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the Company has engaged SGV as external auditors, and Mr. Narciso T. Torres Jr. is the partner-in-charge beginning the audit of the 2018 financial statements. In compliance with SRC Rule 68 Part 3(b)(iv)(ix), Mr. Roel E. Lucas is the partner-in-charge beginning the audit of the 2025 financial statements and shall be rotated after seven (7) years of engagement. A five (5)-year cooling off period shall also be observed in the re-engagement of the same signing partner.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no changes in and disagreements with accountants on accounting and financial disclosure.

The External Auditors

The shareholders of *MERALCO* have reappointed *SGV* as its external auditors for the year ended December 31, 2025 during the annual stockholders' meeting on May 27, 2025. The signing partner of *SGV* for *MERALCO* is Mr. Roel E. Lucas.

a. Audit and Audit-Related Fees

SGV was engaged to audit the annual financial statements of *MERALCO* and subsidiaries and perform related reviews. The consolidated fees, exclusive of value added tax were incurred as follows:

	2025	**2024**
	(Amounts in millions)	
Financial Statements audit	₱26.9	₱24.8
Audit of Financial Statements prepared in accordance with the requirements of the Business Separation and Unbundling Plan of the ERC, Audit of universal charge reports as required by PSALM, and quarterly reviews for SP New Energy Corporation (SPNEC)	₱11.0	₱2.0

Please refer to the Supplementary Schedule of External Auditor Fees found in Annex I – 2025 Consolidated Audited Financial Statements, page 390 of this report.

b. Tax Fees

Not applicable.

c. The Audit Committee's approval of policies and procedures for the above services

The Audit Committee approves the terms of engagement and scope of services of the independent auditors as endorsed by Management. For non-audit services, Management is required to obtain pre-approval from the Audit Committee prior to engagement.

The Audit Committee of the Company reviewed and approved on February 19, 2026 the fees for all audit, audit-related, and non-audit services ("Audit and Audit-Related Fees") rendered by SGV for the Company and selected subsidiaries for the fiscal year 2025. The Audit and Audit-Related Fees were then approved by the Board of Directors of the Company during their regular meeting on February 25, 2026.

A more detailed discussion regarding the approval policy and process may be found on Annex L – Report of the Audit Committee, pages 393 to 396 of this report.

d. Describe disagreements, if there were any, with the former accountant on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to the satisfaction of the former accountant, would have caused it to refer to the subject matter of the disagreement(s) in connection with this report.

Not applicable.

e. If there were any disagreements as described in subparagraph (2), the registrant shall request the former accountant to furnish the registrant with a letter addressed to the Commission stating whether it agrees with the statements made by the registrant and, if not, stating the respects in which it does not agree. The registrant shall file the former accountant's letter as an exhibit to the report or registration statement containing this disclosure.

Not applicable.

Item 8: Compensation Plans

No matter or action relating to the granting of extension of any option, warrant, or right to purchase any securities will be taken up during the meeting.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9: Authorization or Issuance of Securities other than for Exchange

No matters or action concerning authorization or issuance of securities will be taken up during the meeting.

In 2013, *MERALCO* issued, by way of public offering a 7-year and 12-year corporate bonds with puttable in five and ten years, respectively. The Company engaged BPI Capital Corp. and First Metro Investment Corp. as joint issue managers and joint lead underwriters, with RCBC Capital Corp. and Philippine Commercial Capital Inc. as participating underwriters. The 12-Year Bonds were listed with the Philippine Dealing & Exchange Corporation.

The PhP11.5 Billion Fixed Rate Bonds (the "7-Year Bonds") paid a fixed rate of 4.375% per annum with final maturity on December 13, 2020 while the PhP7.0 Billion Fixed Rate Bonds (the "12-Year Bonds") pays a fixed rate of 4.875% per annum with final maturity on December 13, 2025. Interest was paid quarterly every March, June, September, and December.

On December 13, 2023, PhP4.132 Billion of the 12-Year Bonds were redeemed by the Company while the remaining PhP2.868 Billion matured on December 12, 2025 and were redeemed on the same date.

Item 10: Modification or Exchange of Securities

No matter or action concerning modification or exchange of securities will be taken up during the meeting.

Item 11: Financial and Other Information

The Management's Discussion and Analysis (MD&A) and the Company's Consolidated Audited Financial Statements as of December 31, 2025 are incorporated in this Information Statement and may be found on pages 99 to 142, and in Annex I – 2025 Consolidated Audited Financial Statements, pages 233 to 392 of this report**,** respectively.

The Company will distribute copies of this Information Statement to stockholders as of record date through a QR code or link to the Company's website. The QR code and link will be sent via electronic transmission (email). Please refer to Annex H for details of the approval granted by the Securities and Exchange Commission (SEC).

The 1st Quarter 2026 Reports, containing the Company's Unaudited Interim Consolidated Financial Statements and Management Discussion and Analysis as at and for the three months ended March 31, 2026 will be available not later than May 15, 2026 in the Company's website, and in the EDGE website of the Philippine Stock Exchange. A copy of the 1st Quarter 2026 Report is also appended to this Information Statement as Annex M, pages 397 to 571 of this document.

In cognizance of stockholders' rights to information, the Company will provide free of charge, upon written request of a stockholder, either a printed or electronic copy of the Annual Report on SEC Form 17-A, and the 1st Quarter 2026 Reports of the Company. Please refer to pages 176 to 177 for a copy of the Company's undertaking to provide a copy of these reports.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No matter or action concerning mergers, consolidations, acquisitions or similar matters will be taken up during the meeting.

Item 13. Acquisition or Disposition of Property

No matter or action concerning acquisition or disposition of property requiring the approval from the Company's stockholders in accordance with the Revised Corporation Code will be taken up during the meeting.

Item 14. Restatement of Accounts

No matter or action with respect to restatement of any asset, capital or surplus account of the Company will be taken up during the meeting.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The approval of the following will be considered and acted upon at the meeting:

1. Minutes of the Annual Stockholders' Meeting held on May 27, 2025
    - *Approval of the Minutes of the annual meeting of stockholders held on May 28, 2024*
    - *Report of the Chief Executive Officer*
    - *Approval of the 2024 Audited Consolidated Financial Statements*
    - *Ratification of Acts of the Board of Directors and Management*
    - *Change in Schedule of the Annual Stockholders' Meeting and the corresponding amendment of Article I of the By-Laws of the Corporation*
    - *Increase in Per Diem of Directors*

- *Election of Directors for the ensuing year*
- *Appointment of External Auditors*

2. Report of the Chief Executive Officer
3. Approval of the 2025 Audited Consolidated Financial Statements
4. Ratification of Acts of the Board and Management during the year
    - *Refer to attached Annex B on the List of the Acts of the Board and Management for Ratification*

5. Election of directors for the ensuing year
6. Appointment of External Auditors

A detailed explanation of the matters requiring action from security holders during the meeting is provided in Annex A.

Appended to this Information Statement as Annex D is the aforementioned minutes of the Annual Stockholders' Meeting of the Company held on May 27, 2025 which fully reflect the proceedings during the meeting in accordance with Section 49 of the Revised Corporation Code. The list of stockholders who participated in said meeting is incorporated in the minutes.

Item 16. Matters Not Required to be Submitted

No action is to be taken with respect to any matter that does not require the submission of a vote of security holders.

The ratification of the acts of the Board, its executive officers, and management from May 27, 2025 until June 30, 2026 refers only to acts conducted in the ordinary course of business and operations of the *MERALCO.* In the interest of transparency, and as a matter of customer practice or procedure, ratification of these acts are undertaken at every annual meeting of the Company's stockholders. The list of the acts for ratification are provided in Annex B.

Item 17. Amendment of Charter, By-Laws or Other Documents

No matter or action resulting to an amendment of the Articles of Incorporation or By-Laws of the Company will be taken up during the meeting.

On May 27, 2025, the stockholders of the Company approved the proposal to change the schedule of the annual meeting of stockholders from the last Tuesday of May each year, to the last Tuesday of June each year, and the corresponding amendment of Article I of the By-Laws of the Company. The Company submitted the corresponding application to amend its By-Laws with the SEC, and the SEC approved the application for amendment on June 26, 2025.

Item 18. Other Proposed Action

No action will be taken with respect to any matter that has not been specifically referred to in the preceding items.

Item 19. Voting Procedures

(a) Each stockholder shall be entitled to one vote for each share.

(b) All items in the agenda for approval/ratification of the stockholders require the affirmative vote of at least a majority of the stockholders entitled to vote.

(c) In the election of directors, each stockholder entitled to vote may cumulate and distribute his votes in accordance with the Corporation Code of the Philippines.

(d) Voting and counting of votes shall be done through the Company's Stockholders Electronic Registration and Voting Express ("SERVE") platform found at https://company.meralco.com.ph/corporate-governance/voting-in-absentia. (Please refer to attached Annex C on the Requirements and Procedure for Electronic Voting, Electronic Voting in Absentia and Participation Via Remote Communication for more details.) All votes will be counted and tabulated by the *SERVE* and validated by the Corporate Secretary and Auditors. Inspectors from an independent third party appointed by the Board will also be present to validate the votes. The Corporate Secretary shall report the results of voting during the meeting.

MANAGEMENT REPORT

Business and General Information

1. Business Development

The businesses of Manila Electric Company ("*MERALCO or the "Company*") and its subsidiaries (the "MERALCO Group") consist of the regulated and unregulated segments of the energy supply chain. These include electricity distribution, power generation, retail electricity supply, engineering design services; construction and consulting services; payment fulfilment and bills collection services; after-the-meter and energy management services; and telecommunication and information technology services. MERALCO was registered with the Securities and Exchange Commission ("SEC") on May 7, 1919.

As a distribution utility ("DU"), *MERALCO* operates under a 25-year congressional franchise granted through Republic Act ("RA") No. 9209 valid until June 28, 2028 to construct, operate, and maintain the electric distribution system in the cities and municipalities of Bulacan, Cavite, Metro Manila, and Rizal and certain cities, municipalities and barangays in the provinces of Batangas, Laguna, Pampanga, and Quezon. The Energy Regulatory Commission ("ERC") granted *MERALCO* a consolidated Certificate of Public Convenience and Necessity ("CPCN") for the operation of electric service within its franchise area, which shall be valid within the franchise period. The franchise of *MERALCO* has been renewed for another 25 years through 2053 under RA No. 12146, "An Act Renewing for another Twenty-Five (25) Years the Franchise Granted to the Manila Electric Company" under RA No. 9209, entitled "An act granting the Manila Electric Company a franchise to construct, operate and maintain a distribution system for the conveyance of electric power to the end-users in the Cities/Municipalities of Metro Manila, Bulacan, Cavite and Rizal, and certain Cities/Municipalities/Barangays in Batangas, Laguna, Quezon and Pampanga".

Clark Electric Distribution Corporation ("Clark Electric"), a 65%-owned subsidiary of *MERALCO* is a SEC-registered private DU with a franchise granted by Clark Development Corporation ("CDC") to own, operate and maintain the electric distribution system within the Clark Freeport Zone and the sub-zones. The franchise of Clark Electric is valid until October 2047.

Through a 60%-owned subsidiary, **Shin Clark Power Holdings, Inc**. ("Shin Clark Holdings "), *MERALCO* together with a consortium, composed of Axia Power Holdings Philippines Corporation (a wholly owned subsidiary of Marubeni Corporation), KPIC Netherlands BV [a wholly owned subsidiary of the Kansai Electric Power, Inc. ("Kansai")], and Chubu Electric Power Co., Inc. ("Chubu"), hold a 90% interest in **Shin Clark Power Corporation** ("Shin Clark Power"). Shin Clark Power is a company formed with BCDA with the latter contributing a 25-year franchise for a 10% interest in Shin Clark Power. Shin Clark Power is a 25-year joint venture which provides electricity distribution services within the New Clark City ("NCC"), a 9,450-hectare development within the Clark Special Economic Zone located in the towns of Capas and Bamban in Tarlac province. On March 22, 2023, the ERC granted Shin Clark Power a CPCN to operate as a DU.

MERALCO also manages the electric distribution facilities of Pampanga Electric Cooperative II ("*PELCO II*") through **Comstech Integration Alliance, Inc.** ("*Comstech*") under a 20-year Investment Management Contract ("*IMC*") until February 12, 2034 and that of the Cavite Economic Zone ("*CEZ*") under a 25-year concession agreement with Philippine Economic Zone Authority ("*PEZA*") until May 25, 2039.

MERALCO's participation in retail electricity supply ("RES") is through the local RES units, MPower and Cogent Energy, and through its affiliate RES entities, Vantage Energy Solutions and Management, Inc. ("Vantage"), MeridianX Inc. ("MeridianX"), Phoenix Power Solutions, Inc. ("Phoenix Power") and MGEN Retail Electricity Supplier Corp. ("MGen RES", formerly Global Energy Supply Corporation ("GESC")). Clarion Energy Management Inc. ("Clarion"), a wholly owned subsidiary of Clark Electric, re-filed its application for a RES license with the ERC on October 20, 2025 and was issued a RES license by the ERC on December 12, 2025.

Meralco PowerGen Corporation ("MGen") is MERALCO's power generation investment vehicle. It owns and operates a total of 5,069.7 MW of power generating plants of varying technologies. Its operations is anchored on three (3) pillars: (i) 1,286.2 MW of thermal plants held through Global Business Power Corporation ("GBPC") and San Buenaventura Power Ltd. Co. ("SBPL"); (ii) 3,375.0 MW of liquefied natural gas ("LNG") plants in the Philippines through Chromite Gas Holdings, Inc. ("Chromite Holdings") and in Singapore through PacificLight Power Pte. Ltd. ("PacificLight Power"); and (iii) 408.5 MWac of renewable energy plants through MGEN Renewable Energy, Inc. ("MGreen"). Through SP New Energy Corporation ("SPNEC"), it is developing a 3,500 MWdc solar power plant with a 4,500 MWh battery energy storage system.

The businesses of the other subsidiaries include engineering, design, construction and consulting services, bill collection services, distribution and energy management services and communication, information system and technology services.

2. Business Development

Material developments, ownership structure, and investment activities of the MERALCO Group are discussed in Note 3 of the consolidated financial statements.

3. Business of Issuer

DISTRIBUTION BUSINESS

The principal business of MERALCO is the distribution of electricity through its distribution network facilities in its franchise area.

Clark Electric Distribution Corporation ("*Clark Electric*"), 65% owned by *MERALCO* and holds a franchise to distribute electric power in the Clark Special Economic Zone ("CSEZ"), including the Clark Freeport Zone ("CFZ") and contiguous subzones. The *Clark Electric* franchise is valid through October 2047. In 2025, *Clark Electric*'s energy sales volume was at 734.5 GWh, or an equivalent 2.7% increase over 2024.

Shin Clark Power Holdings, Inc. ("*Shin Clark Holdings*") 60% owned subsidiary, Shin Clark Power Corporation ("*Shin Clark Power*") provides electricity services to *NCC*, a 9,450-hectare development within the Clark Special Economic Zone in the towns of Capas and Bamban, Tarlac. Its franchise was issued to the *BCDA* who assigned such rights to *Shin Clark Holdings* in exchange for 10% equity in Shin Clark Power.

Following are the percentage contribution to sales of each customer segment based on kWh-sales:

	2025	2024	2023
Residential	35.30%	35.81%	34.83%
Commercial	37.64%	37.56%	37.23%
Industrial	26.79%	26.36%	27.65%
Streetlights	0.27%	0.27%	0.29%
TOTAL	**100.00%**	**100.00%**	**100.00%**

MERALCO and its subsidiaries operate and generate substantially all of their revenues in the Philippines. There is no single external customer which accounts for more than 10% of the consolidated revenues.

MERALCO sources the electricity it distributes to its captive customers from different power suppliers as follows (percentage are based on *kWh* purchased/sourced):

	2025	2024	2023
First Gas Power Corporation ("*FGPC*") – Sta. Rita Power Plant and FGP Corp. ("*FGP*") – San Lorenzo Power Plant	24.06%	22.92%	29.01%
South Premier Power Corporation ("*SPPC*") – Ilijan Power Plant	17.98%	18.25%	13.60%
Excellent Energy Resources Inc. ("*EERI*")	14.35%	-	-
Independent Market Operator ("*IEMOP*") - Wholesale Electricity Spot Market ("*WESM*")	13.95%	28.17%	18.71%
San Buenaventura Power Limited ("*SBPL*")	8.27%	8.05%	6.37%
GNPower Dinginin ("*GNPD*")	6.15%	-	1.03%
Sual Power Inc. ("*SPI*") – Sual Coal-fired Plant	4.16%	2.99%	4.01%
Quezon Power (Philippines) Limited	2.85%	5.65%	5.29%
Mariveles Power Generation Corporation ("*MPGC*")	2.74%	-	-
Limay Power Inc. ("*LPI*")	1.09%	3.43%	-
San Roque Hydropower Inc. ("*SRHI*")	1.07%	-	-
Masinloc Power Co., Ltd. ("*Masinloc*")	0.99%	-	-
First NatGas Power Corporation ("*FNPC*")	0.54%	0.88%	7.60%
Therma Luzon, Inc. ("*TLI*") – Pagbilao Coal Plant	0.53%	2.59%	5.89%
AC Energy Philippines, Inc. ("*AC Energy*")	-	5.00%	6.26%
Energy Development Corporation ("*EDC*")	-	1.01%	1.18%
Others	1.27%	1.06%	1.05%
TOTAL	**100.00%**	**100.00%**	**100.00%**

POWER GENERATION BUSINESS

Meralco PowerGen Corporation ("MGen") is a wholly owned subsidiary of MERALCO. MGen has a diversified power generation portfolio that utilizes advanced and highly efficient technologies to provide reliable and cost-competitive supply.

The table below summarizes the operating results of the generation plants for the years ended December 31, 2025, 2024 and 2023:

	Net Saleable Capacity			Energy Sold		
	2025	2024	2023	2025	2024	2023
Generation Plant	*(in MW)*			*(in GWh)*		
GBPC	831	838	824	5,789	5,652	5,878
SBPL	455	455	455	3,166	3,205	2,360
PacificLight Power	900	800	771	5,689	5,820	5,719
Chromite Holdings	2,475	–	–	11,912	–	–
MGreen	409	325	191	733	619	349

MGen's subsidiaries and affiliates are as follows:

SBPL is a joint venture between MGen (51%) and New Growth B.V. (49%), a wholly owned subsidiary of Electric Generating Public Company Limited of Thailand ("EGCO"). SBPL owns and operates a 455 MW (net) supercritical coal-fired power plant in Mauban, Quezon with all of its plant output being delivered to MERALCO under a 20-year Power Supply Agreement ("PSA") approved by the ERC.

GBPC with a total net capacity of 831 MW (net), is one of the leading independent power producers in Visayas and Mindanao. Its capacity is held through the following subsidiaries and affiliates:

Cebu Energy Development Corporation ("CEDC") owns and operates a 249.7 (gross) MW clean coal-fired power plant located in Toledo City, Cebu. CEDC is 44% owned by Abovant Holdings, Inc. and 56% by Global Formosa Power Holdings, Inc. ("Global Formosa"), Global Formosa is 93.2% owned by GBPC.

Toledo Power Co. ("TPC") owns and operates 83.6 MW (gross) clean coal-fired power plant in Daanlungsod and 30 MW (gross) diesel-fired power plant in Carmen – all in Toledo City, Cebu. It is 100% beneficially owned by GBPC.

Panay Energy Development Corporation ("PEDC") owns and operates 167.4 MW (gross) and 150 MW (gross) clean coal-fired power plants located in Iloilo City, Iloilo. GBPC has an effective 89.3% interest in PEDC through Panay Power Holdings Corporation ("PPHC").

Panay Power Corporation ("PPC") owns and operates a 7.5 MW (gross) and a 5 MW (gross) diesel-fired power plants in Nabas and New Washington, Aklan, respectively. PPC is also a wholly owned by PPHC.

Global Trade Energy Resources Corp. ("GTERC") is primarily engaged in trading thermal coal and consumable commodities for wholesale retail. It is 100% owned by GBPC.

Alsons Thermal Energy Corporation ("ATEC") is a Mindanao-based power generation holding company. Through its wholly owned subsidiary, Sarangani Energy Corporation ("Sarangani Energy"), ATEC owns and operates a 220 MW (net) coal-fired power plant in Maasim, Sarangani. ATEC also owns San Ramon Power, Inc. ("SRPI"), which is developing a 120 MW coal-fired power plant in Zamboanga.

Redondo Peninsula Energy, Inc. ("RP Energy") is a joint venture among MGen, Therma Power, Inc and Taiwan Cogeneration International Corporation – Philippine Branch ("TCIC") for the construction and

operation of a power plant in the Subic Bay Freeport Zone. The power plant development has been suspended since 2019.

PacificLight Power owns and operates a 2 x 400 MW combined cycle gas turbine ("CCGT") LNG power plant in Jurong Island, Singapore. On May 14, 2025, a 100 MW fast-start LNG plant was completed and commissioned to provide ancillary services to the Singapore grid under a 25-year fast Start contract with the Energy Market Authority ("EMA").

On January 6, 2025, the EMA awarded PacificLight Power the right to build, own and operate a hydrogen-ready CCGT plant in Jurong Island. The project shall be the largest single H-class CCGT plant in Singapore, with the capacity of 670 MW gross and is expected to begin commercial operations in 2029.

MGen has a combined 58% equity interest in PacificLight Power.

Atimonan One Energy, Inc. ("A1E") is MGen's wholly owned subsidiary developing a 1,200 MW (net) ultra super critical coal-fired power plant in Atimonan, Quezon. On July 10, 2025, MGen secured mcoverage of the coal moratorium policy.

MGen incorporated *MGreen* on June 6, 2019 to serve as its vehicle for renewable power generation projects.

The subsidiaries, associates and joint ventures of MGreen are as follows:

PowerSource First Bulacan Solar, Inc. ("First Bulacan") owns and operates a 55 MWac solar power plant in San Miguel, Bulacan. The project is a joint venture between MGreen (60%) and PowerSource Energy Holdings Corporation (40%). First Bulacan supplies its output to MERALCO under a 20-year PSA approved by the ERC on December 22, 2016, and commenced commercial operations in May 2021.

PH Renewables, Inc. ("PHRI") operates 80.1 MWac of solar plant in Baras, Rizal. Phase 1 commenced commercial operations in March 2023, while Phase 2 became operational in the first quarter of 2025. PHRI is wholly owned by CACI Power Corporation, which is 60% owned by MGreen and 40% by Mit-Renewables Philippine Corp., a subsidiary of Mitsui & Co.

Nuevo Solar Energy Corporation ("NSEC") operates a 68.7 MWac solar plant in Currimao, Ilocos Norte, which began operations in mid-February 2023. All of its capacity is sold to MPower up to March 2043. NSEC is owned by MGreen and Pasuquin Energy Holdings, Inc.

Nortesol III, Inc. ("Nortesol"), which is 70%-owned by MGreen and 30% by Sunasia Energy, Inc., is developing a floating solar facility in Laguna Bay. On August 27, 2024, the BOD agreed to relinquish the Solar Energy Service Contract between Nortesol and Department of Energy ("DOE").

Lagunasol Corporation ("LagunaSol") is engaged in the development, construction, and operation of a power plant and related facilities using solar energy. LagunaSol is 100% owned by MGreen.

Greentech Solar Energy, Inc. ("*GSEI*") operates a 19.8 *MWac* solar plant in Bongabon, Nueva Ecija. *GSEI* started operations in January 2025. Its capacity is sold to the grid under Green Energy Auction Program ("GEAP"). *GSEI* is 100% owned by *MGreen*.

Greenergy for Global Inc. ("*Greenergy*") operates a 52.7 *MWac* solar plant in Cordon, Isabela. Greenergy began commercial operations in May 2025. *Greenergy* is 98.16% owned by *MGreen*.

PacificLight Renewables ("PL Renewables") is 58% owned by *MGreen* through *MGreen* International. PL Renewables owns 37% of Pacific Medco Solar Energy Pte (*Medco*), a Singapore-based entity which is looking to develop large scale, offshore solar plant and transmitting the energy through subsea cable to Jurong Island, Singapore.

MGen owns 57.3% in *SP New Energy Corporation* ("*SPNEC*"). Through its subsidiary, Terra Solar Philippines, Inc. ("*Terra Solar*"), *SPNEC* is developing a 3,500 *MWdc* solar power facility integrated with a 4,500 *MWh* battery energy storage system in Nueva Ecija. Phase 1 of this 3,500 *MWdc* plant commenced the delivery of commissioning energy to the grid in March 2026.

3 Barracuda Energy Corp ("*Barracuda Energy* ") is developing a 450 *MWac* solar power plant in Bugallon, Pangasinan, which began commissioning in the first quarter of 2026. *Barracuda Energy* is a joint venture between *MGreen* and Vena Energy Solar PH B.V. ("*Vena Energy*").

MGen (60%) and Therma NatGas Power, Inc. ("Therma NatGas", 40%) own Chromite Gas Holdings, Inc. ("Chromite Holdings"). Chromite Holdings acquired a 67% equity interest in each of the following entities: *SPPC*, 1,200 *MW* Ilijan Power Plant), *EERI*, 1,275 *MW CCGT* Plant), Linseed Field Corporation ("Linseed", 2,500 *MW LNG* import and regasification terminal) and Ilijan Primeline Industrial Estate Corp. ("*IPIEC*") which owns 912,999.5 square meters of property where the plants are co-located.

All of the three (3) units of *EERI* were fully operational as of April 2025 while Linseed achieved full-gas send-out capacity in June 2025.

RETAIL ELECTRICITY SUPPLY BUSINESS

The Retail Electricity Supply business segment sources and supplies electricity to qualified contestable customers.

Vantage Energy Solutions and Management, Inc. ("*Vantage*") and **Phoenix Power Solutions, Inc.** ("*Phoenix Power*") offer retail energy services and solutions to the contestable customers in the Competitive Retail Electricity Market.

MGEN RES is a Retail Electricity Supplier ("*RES*") licensed by the *ERC* and serves as *GBPC*'s *RES* arm. *MGEN RES* is 100% owned by *GBPC*.

As a *RES* entity, It provides retail energy services and solutions to the contestable customers in the Competitive Retail Electricity Market. It is also engaged in energy sourcing, trading and solutions, wholesale contracting and aggregating of electricity. As a licensed *RES*, *Vantage* operates and offers its services to all contestable customers nationwide where the Retail Competition and Open Access ("*RCOA*") is implemented.

Vantage offers competitive energy products and service innovations to help its customers manage their electricity requirements better. It provides stable and reliable power supply based on a blend of Vantage's supply portfolio, customized products offered at competitive prices, value added services and

technical collaborations with its expert engineers to maximize efficiency and profitability of its customers' operations.

OTHER SERVICES

The "Other Services" segment is involved principally in services associated with electricity distribution, such as, electro-mechanical engineering, construction, consulting and related manpower services, e-transaction and bills collection, telecommunications services, insurance and re-insurance, e-business development, power distribution management, energy systems management and harnessing renewable energy and electric vehicle and charging infrastructure solutions.

Meralco Industrial Engineering Services Corporation ("MIESCOR") is a wholly owned subsidiary of MERALCO. Together with its subsidiaries, MIESCOR Builders Inc. ("MBI") and MIESCOR Logistics, Inc. ("MLI"), MIESCOR provides expertise in engineering, procurement and construction ("EPC"), DU and pole attachment services, telecommunications infrastructure, logistics and facilities management, and trading of high-quality electrical supplies and equipment.

MIESCOR, with 8,823 manpower, is one of the leading engineering and construction companies in the country, meeting global standards with its ISO 9001:2015 (QMS), ISO 14001:2015 (EMS), and ISO 45001:2018 (OSH) certifications. MIESCOR also holds a PCAB 'AAAA' license, the highest license category issued by the Philippine Contractors Accreditation Board and was awarded numerous safety and health excellence awards for its outstanding safety records. It services entities in the power and telecommunications industries.

In September 2025, MIESCOR completed the acquisition of 100% equity interest in Customer Frontline Solutions, Inc. ("CFS") from CIS Bayad Center, Inc. ("Bayad"). CFS provides outsourced tellering and other administrative services to different industries in the Philippines.

Corporate Information Solutions, Inc. ("CIS") is a wholly owned subsidiary of MERALCO. CIS, is a holding entity and owns 85% of CIS Bayad Center, Inc. ("Bayad").

Bayad, a pioneer in outsourced payment collection services, has evolved into a full-service fintech company delivering a comprehensive suite of financial solutions to consumers and businesses nationwide. With over 120,000 physical touchpoints and millions of registered digital users through its digital partners, Bayad enables seamless access to financial services through an integrated onsite-to-online ecosystem—spanning Bayad Centers, Bayad Partners, Bayad Asenso Agents in communities, and digital platforms such as the Bayad App, Bayad Online, and Bayad Express, powering the MERALCO Online payment gateway—bringing convenient, reliable financial services closer to every Filipino, anytime and anywhere.

Advancing its contribution to financial inclusion in the country, the brand launched Bayad Asenso, a business solution embedded in the Bayad App that allows Filipino entrepreneurs to generate additional source of income by offering Bayad's financial services, i.e., bills payment collection, prepaid loading, electronic wallet top-ups, among others, in their respective neighborhood or community.

Bayad continues to trailblaze the industry as it elevates the Filipinos' payment experience, at the same time providing end-to-end payment solutions to major institutions and government agencies nationwide.

Meralco Energy, Inc. ("MServ") is a wholly owned subsidiary of MERALCO. It is a one-stop shop for energy services and solutions that will guarantee total system efficiency for customer facilities. As a DOE-accredited Energy Service Company ("ESCO") in the Philippines and as a "AAA" PCAB-licensed company, MServ's scope of activities include Energy Audit of Customer Facilities, Advisory and Consultancy Services for Energy Efficiency, EPC of Electrical, Mechanical, Plumbing, and Fire Protection Facilities, and Operations and Maintenance (O&M) of customer owned facilities. MServ also has the expertise to value-engineer electrical designs and offers energy solutions to help the sustainability goals of its customers by lowering energy consumption. MServ also provides Energy Efficiency solutions such as sub-metering and energy management systems, Smart City solutions such as smart streetlighting, and building management systems, Sewage Treatment Plant solutions, and Hyperscale Data Center Solutions.

e-Meralco Ventures, Inc. ("e-MVI") is a wholly owned subsidiary of MERALCO. It was established on June 22, 2000. Through a wholly owned subsidiary, Paragon Vertical Corporation, it owns 65.1% of the equity in Radius Telecoms, Inc. ("Radius"). Radius holds a congressional telecommunications franchise to construct, install, establish, operate, and maintain for commercial purposes and in the public interest, the business of providing basic and enhanced telecommunications services in the Philippines, and between the Philippines and other countries and territories.

Radius delivers its services on an end-to-end full fiber optic network covering more than 10,898 kms in Metro Manila and nearby provinces, as well as Clark and Cebu, with plans to expand to other major cities in the Visayas and Mindanao regions.

Radius provides data connectivity solutions over its dense fiber optic network, with access nodes strategically located within business districts, industrial and Information Technology ("IT") parks, data centers, and main thoroughfares.

Meralco Financial Services Corporation ("Finserve") was incorporated on March 19, 2002. Finserve embarked on investing and managing commercial center operations with The Strip along Ortigas Avenue as its flagship project. At present, this two-storey building with a leasable space of 1,026 square meters houses several retail establishments.

Finserve has a 10% equity interest in AF Payments, Inc. ("AF Payments") since its incorporation in February 2014. AF Payments was incorporated primarily to operate and maintain an electronic payment clearing and settlement system through a contactless automated fare collection system for public utility, including generic contactless micropayment solution. It also supplies and issues fare media and store value cards or reloadable cards for use in transport and non-transport facilities. AF Payments operates and maintains the related hardware and software.

MSpectrum Inc. ("MSpectrum") is a wholly owned subsidiary of MERALCO which provides renewable energy solutions, mainly roof-top solar installations, microgrids, and utility-scale projects.

Movem Electric, Inc. ("Movem") is a wholly owned subsidiary of MERALCO and is the green mobility arm of the MERALCO Group. It provides custom, end-to end electric mobility solutions

Franchise and Concession Agreements

MERALCO holds a congressional franchise granted under Republic Act No. 9209, effective June 28, 2003, authorizing it to construct, operate, and maintain an electric distribution system within Metro Manila and the provinces of Bulacan, Cavite, Rizal, Batangas, Laguna, Pampanga, and Quezon. In October 2008, the *ERC* issued *MERALCO* a consolidated *CPCN*, valid for the duration of the franchise.

The franchise has been renewed for another 25 years, or until 2054, under Republic Act No. 12146. *MERALCO*'s franchise area covers approximately 9,685 square kilometers, encompassing 39 cities and 72 municipalities in Luzon.

Clark Electric is a private *DU* operating under a franchise granted by the Clark Development Corporation to own, operate, and maintain the electric distribution system and to distribute power exclusively within its franchise area, which covers the Clark Freeport Zone and its sub-zones. The franchise area spans approximately 320 square kilometers within the Clark Special Economic Zone and is valid until October 2047.

Shin Clark Power Corporation ("*Shin Clark Power*"), through a Joint Venture Agreement ("*JVA*") with the Bases Conversion and Development Authority ("*BCDA*"), manages the development, operation, and maintenance of the electric power distribution system in *NCC*, a 9,450-hectare development located within the Clark Special Economic Zone in the municipalities of Capas and Bamban, Tarlac. Pursuant to the *JVA*, *BCDA* assigned to Shin Clark Power its congressional franchise to operate the electric distribution system in New Clark City, which was granted under Republic Act No. 11420.

MERALCO manages the electric distribution facilities of Pampanga Electric Cooperative II ("*PELCO II*") through *Comstech* under an Investment Management Contract ("*IMC*"). *MERALCO* also operates the electric distribution facilities within the Cavite Economic Zone ("*CEZ*") under a 25-year concession agreement with the Philippine Economic Zone Authority ("*PEZA*").

Retail Competition and Open Access

RCOA is a mandatory reform under Section 31 of Republic Act No. 9136, or the Electric Power Industry Reform Act of 2001 ("EPIRA"), and Rule 12 of its Implementing Rules and Regulations ("IRR"). RCOA allows electricity end users that meet the eligibility requirements prescribed by the ERC to become contestable customers and directly contract with ERC licensed RES for the supply of electricity, instead of being supplied exclusively by their local DU.

Eligibility to participate in RCOA is determined based on average monthly peak demand thresholds set by ERC resolution and implemented in phases. Pursuant to ERC Resolution No. 12, Series of 2020, the eligibility threshold in Luzon and Visayas was set at 500 kW average monthly peak demand, with similar application in Mindanao following the declaration of RCOA commercial operations by the DOE and subsequent ERC issuances. In November 2025, the ERC approved a further expansion of RCOA by lowering the threshold to 100 kW average monthly peak demand, effective June 26, 2026, subject to market readiness and compliance with metering and registration requirements.

Under the RCOA framework, distribution utilities retain responsibility for the operation, maintenance, and regulation of the distribution network, and continue to charge regulated distribution related and other pass through charges. Electricity supply to contestable customers is sourced through bilateral contracts with RES, while imbalances between contracted and actual consumption are settled through the Wholesale Electricity Spot Market ("WESM"). The ERC exercises regulatory oversight over RCOA implementation, including RES licensing, switching procedures, metering standards, and market compliance, consistent with EPIRA and related customer choice programs such as the Retail Aggregation Program ("RAP") and the Green Energy Option Program ("GEOP").

Government Approval of Principal Products or Services

On June 9, 2003, Republic Act ("RA") No. 9209, otherwise known as the "An Act Granting the Manila Electric Company A Franchise To Construct, Operate and Maintain A Distribution System for the Conveyance of Electric Power to the End-Users in the Cities/Municipalities of Metro Manila, Bulacan, Cavite and Rizal and Certain Cities/Municipalities/Barangays in Batangas, Laguna, Quezon and Pampanga", was signed into law and took effect on June 28, 2003. The franchise was renewed for another twenty (25) years under RA No. 12146 or until 2054.

MERALCO distributes electricity to customers within its franchise area. It is subject to the rate-making regulations and regulatory policies of the ERC. *MERALCO*'s billings to customers are itemized or "unbundled" into a number of bill components that reflect the various costs incurred in providing electric service.

The adjustment of each bill component is governed by mechanisms promulgated and enforced by the ERC, mainly: (i) the "Rules Governing the Automatic Cost Adjustment and True-up Mechanisms and Corresponding Confirmation Process for Distribution Utilities", which govern the recovery of pass-through costs, including over- or under-recoveries in the following bill components: generation charge, transmission charge, system loss charge, inter-class rate and lifeline subsidies, local franchise, real property and business taxes, as modified by ERC Resolution No. 2, Series of 2021 ("Rules on the Recovery of Pass-Through Taxes (Real Property, Local Franchise and Business Taxes) of Distribution Utilities") with respect to the recovery of local franchise and business taxes; and (ii) the "Rationalized Rules for the Setting of Distribution Wheeling Rates" ("RRDWR"), which govern the determination of *MERALCO*'s distribution, supply, and metering charges.

Similarly, the Distribution rates billed by Clark Electric and Shin Clark Power are approved by the ERC and are set at rates that allow a reasonable rate of return on investments. Clark Electric and Shin Clark Power's rate structure also allows pass-through of certain purchased power costs based on approved PSAs, system loss charge up to an annual cap enforced by the ERC, as well as taxes, among others.

Government Approval and Regulation

Energy Regulatory Agency

In accordance with the EPIRA, *MERALCO*, as a DU and Electric Power Industry Participant, is subject to regulation by the ERC and recognizes the rate-making policies of the ERC.

Costs and Effects of Compliance with Occupational Safety and Health Standards

Organizational Safety

MERALCO remained steadfast in its commitment to providing a safe, healthy, and compliant work environment for its employees and stakeholders. In 2025, *MERALCO* maintained full compliance with Republic Act No. 11058 and all applicable Department of Labor and Employment ("DOLE") requirements, including Department Order No. 252 25, and successfully completed ISO 45001 audits conducted by TÜV SÜD with no major findings, affirming the robustness of its Occupational Safety and Health ("OSH") Management System.

Under the strategic oversight of the Environmental, Safety, and Health ("ESH") Board, *MERALCO* achieved improved safety performance, with Lost Time Injury ("LTI") cases declining by 21% year on year, reflecting strengthened operational discipline and sustained corrective and preventive actions. *MERALCO* continued its TARGET ZERO campaign and further enhanced its Behavior Based Safety Program through the deployment of additional Safety Engineers and the launch of Safe360, a digital safety reporting platform that improves real time visibility of safety observations and accelerates corrective action.

MERALCO completed its Safety Roadshow across all sectors and STS units, reinforcing collaboration, communication, and employee engagement while generating operational insights to guide hazard mitigation efforts. To promote consistency in safety standards, MERALCO issued the 2025 Safety Code, consolidating OSH policies for employees and contractors, and enhanced personal protective equipment ("PPE"), including upgraded arc flash protection for high-risk electrical work.

Training and capability building remained central to *MERALCO*'s safety strategy, with the consistent implementation of mandatory OSH programs and the conduct of the Safety Summit through Convergence to support knowledge sharing and professional development. *MERALCO* also advanced its Safety Innovation Program through Mobile Eyesite, a mobile based hazard identification and real time field reporting tool.

Through strong leadership oversight, regulatory compliance, continuous capability building, and innovation, *MERALCO* continued to strengthen a proactive and resilient safety culture in 2025, reinforcing its commitment to protecting its workforce, contractors, and the public it serves.

Emergency Preparedness and Response

Disaster resilience relies on having emergency ready employees who can extend assistance to co-employees and their families. *MERALCO* has progressively strengthened this capability through *MERALCO* Rescue, which institutionalized its Disaster Risk Reduction and Management ("DRRM") structure and processes and established partnerships with key emergency response agencies, including the Bureau of Fire Protection ("BFP") and local government DRRM offices within its franchise area.

Since its inception, *MERALCO* Rescue has steadily expanded its reach and strengthened its emergency response capabilities. The program enhanced the response readiness of Emergency Preparedness and Response Teams and facility security personnel through Basic Skills for Responders training and a capability building initiative that equipped responders with essential tools and equipment. In 2022, MERALCO Rescue further professionalized its operations by deploying full time Emergency Medical Services and Fire Brigade personnel and formalizing a partnership with the BFP to jointly operate the

MERALCO Rescue Fire Station, providing emergency response to Company facilities, employees, their families, and surrounding communities.

To further embed a culture of preparedness, *MERALCO* established the *MERALCO* Rescue Academy, an emergency preparedness and response learning platform for employees and their families. Training offerings include Family Preparedness Planning, Basic Life Support and First Aid, Fire Safety and Response, and Survival Bootcamp courses. In 2025, 11 training batches were conducted, with 378 participants completing the program. The Company also conducts regular emergency drills and simulation exercises—from Duck Cover Hold drills to inter agency simulations for major seismic events—to test readiness, strengthen Incident Management Team response, and enhance coordination with partner agencies to ensure effective and organized life-saving response during emergencies.

Critical to disaster resiliency is to have people who are emergency ready and have the ability to extend emergency response assistance to co-employees and their families. Over the years the Company has continuously developed and improved this capability through Meralco Rescue. This program institutionalized the Disaster Risk Reduction and Management (DRRM) structure and process, and established partnerships with the leading emergency response agencies in the country like the Bureau of Fire Protection and the DRRM Offices of the different Local Government Units in its franchise.

From small beginnings of a handful of employee-volunteers in 2013, Meralco Rescue expanded its reach by enhancing the response capability of the Emergency Preparedness and Response Teams (EPRTs) and the security personnel of the different facilities across the Company through the Basic Skills for Responders training. The Company also embarked on an emergency response capability build project to properly equip its emergency responders with the tools and equipment needed to properly perform emergency response and rescue activities. In 2022, Meralco Rescue engaged the services of full-time personnel to man its Emergency Medical Services and its Fire Brigade. The Company also formalized the partnership with the Bureau of Fire Protection to jointly operate the Meralco Rescue Fire Station to provide emergency response action to Meralco Center and other Company facilities together with the community the Company serves. This paved the way for emergency response assistance to employees and their families not only during calamities but also in times of medical emergencies.

The Company also launched the Meralco Rescue Academy, an emergency preparedness and response learning platform for all employees and their families. Family Preparedness Planning, Basic Life Support and First Aid, Fire Safety and Response and Survival Bootcamp trainings were offered and taught to employees and their families alike. For 2025, 11 batches totaling 378 employees and family members completed the training course.

To maintain and strengthen the preparedness culture in *MERALCO*, emergency drills and simulation exercises are periodically conducted. From simple Duck Cover and Hold drills to inter-agency emergency response drills and simulation exercises for the Big One are done not only to test the readiness of the employees and the Incident Management Team but also to improve the inter-operability of the Company with the different agency partners to help ensure organized and unified critical life-saving response is provided to employees.

Environment Management

Ensuring compliance with environmental regulations is a critical aspect of *MERALCO*'s operations. *MERALCO* remains aligned with the requirements set by the Department of Environment and Natural Resources - Environmental Management Bureau ("DENR-EMB"), Laguna Lake Development Authority ("LLDA") and other environment regulatory bodies. Failure to understand and comply with any changes in their regulations can result in violations and monetary penalties. In 2025, *MERALCO* secured 180 permits, consisting of 45 new permits and 135 renewals/amendments. Additionally, *MERALCO* submitted 1,341 environmental monitoring reports to ensure ongoing environmental compliance.

To further enhance the environmental management knowledge and skills of *MERALCO*'s Pollution Control Officers and Managing Heads, *MERALCO* conducted 14 training sessions. Of these, six (6) focused on regulatory compliance, while eight (8) addressed various environmental programs.

Effective waste management plays a key role in *MERALCO*'s environmental strategy. In 2025, the Company generated a total of 1,692 metric tons ("MT") of hazardous waste, including used oil, electronic wastes, and lead-acid batteries. These wastes were disposed of through a DENR-EMB-registered transporter and treater. *MERALCO* also generated 4,901 MT of non-hazardous solid waste, achieving a 98% diversion rate. Through its participation in the Philippine Business for Social Progress (PBSP) X-Trash Challenge, *MERALCO* collected and recycled 54.95 MT of plastics, paper, and metal, partnering with certified recycling companies for proper disposal.

MERALCO is committed to optimizing its water and electricity usage. Through its Resource Conservation and Efficiency Program, initial targets of a 2% reduction in electricity consumption and a 5% reduction in water consumption were established as indicative benchmarks to gauge performance, rather than mandatory targets. Consumption reduction initiatives continue to be implemented across all operating facilities, with conservation practices in place and performance being continuously monitored. For the year 2025, overall water consumption increased by 0.6% and electricity consumption was reduced by 4%.

Disaster Resiliency

As a lifeline utility, *MERALCO* fully recognizes its critical role in safeguarding the continuity of essential services, especially during times of disaster and disruption. Guided by this responsibility, the Company continues to strengthen its organizational resilience by enhancing its emergency management and business continuity governance to ensure the reliable and timely delivery of services despite disruptions.

For almost eight (8) years, *MERALCO* has consistently adopted and institutionalized the principles of DRRM, reinforcing its alignment with national policies and active support for government-led resilience initiatives. In 2025, MERALCO conducted DRRM orientations and Basic Incident Command System courses in coordination with the Office of Civil Defense and the Pasig DRRM Office. In addition, four (4) training sessions and webinars covering fire safety, security risks, and the reservist program were conducted. All of these were attended by more than 2,300 participants.

Building on these DRRM initiatives, beyond preparedness and response, *MERALCO* also ensures that the organization is prepared to recover and return to business-as-usual operations following a disruption. To this end, the company continues to advance its adoption of ISO 22301:2019, the international standard for Business Continuity Management System, which guides the organization in systematically

preparing for, responding to, and maintaining the necessary controls and capabilities to sustain operations during disruptions. In 2025, *MERALCO* completed four (4) ISO 22301:2019 training courses covering the standard, Business Impact Analysis, Risk Assessment, Business Continuity Plans, documentation, and Internal Audit. Attended by 105 participants, the courses equipped designated Business Continuity Management leads and implementers with the knowledge and skills needed to plan and implement measures that strengthen the organization's resilience.

Recognizing that organizational resilience is anchored on people, *MERALCO* is also investing in various learning and engagement activities. In July 2025, in observance of National Disaster Resilience Month, the Company organized an integrated conference bringing together three critical disciplines—ESH; Security; and Business Continuity Management. The two-day event equipped employees and stakeholders with practical insights, strategies, and best practices to address evolving risks across safety, health, environmental protection, security, and business continuity. A total of 789 employees across the franchise attended the two-day conference.

To reinforce awareness and sustain a culture of preparedness, *MERALCO* also implemented a series of awareness campaigns. In 2025, 11 communication materials were released to reinforce employee readiness during natural disasters, along with information dissemination campaigns on cybersecurity, personal security, and other emerging human-induced threats, aimed at promoting proactive practices and heightened risk awareness across the organization.

Beyond strengthening awareness and knowledge through these initiatives, *MERALCO* also conducts simulation exercises to test the organization's response and recovery capabilities. In 2025, a tabletop exercise and a full-scale earthquake simulation were conducted, alongside the regular Duck, Cover, and Hold and evacuation drills. Both activities involved multiple offices, the activation of several business continuity plans, and more complex scenarios—marking the first time such exercises covered not only response actions but also the recovery phase. Furthermore, *MERALCO* carried out additional drills to reinforce its operational, information technology (IT), and cyber resilience, ensuring comprehensive preparedness across other critical organizational processes. In 2025, the organization completed nine (9) operational contingency plan and system recovery drills, four (4) IT disaster recovery tabletop exercises, one (1) cybersecurity crisis simulation, and multiple call tree drills. Together, these initiatives underscore the organization's commitment to continuous improvement and resilience.

Number of Employees

As at February 28, 2026, the Company has a total of 6,185 regular employees (Managerial/Executive - 1,811, Supervisory – 2,907 and Rank and File – 1,467) covered by two (2) unions, namely, First Line Association of MERALCO Supervisory Employees ("FLAMES") and MERALCO Employees and Workers Association ("MEWA"). The Company has existing Collective Bargaining Agreements with these unions expiring on November 30, 2027 (FLAMES) and November 30, 2028 (MEWA). The Company does not expect that there will be significant hiring nor reduction of employees in the next 12 months.

Properties

MERALCO's assets primarily consist of utility plant assets that form part of its Regulatory Asset Base ("RAB"), comprising both electric and non-electric capital assets. MERALCO also holds properties intended for future substations or branch sites, as well as retired office or sector sites, which are classified as Investment Properties in the consolidated statement of financial position.

MERALCO's Pasig City facilities house critical systems supporting electric distribution operations, which are the network systems, telecommunications, logistics, customer retail services, and other support functions. As of December 31, 2025, MERALCO operated, in addition to its head office, 10 network sector offices, 39 business centers, and 16 customer centers or extension offices. Its infrastructure includes 150 substations with a total capacity of 23,646 MVA, 1,020 sub transmission and distribution circuits, more than 44,500 circuit kilometers of lines, and 243,713 distribution transformers with a combined capacity of 20,671 MVA.

Clark Electric's assets consist of sub transmission and distribution facilities, buildings, and improvements within the Clark Special Economic Zone (CSEZ). Its distribution system includes six (6) substations with an aggregate capacity of 383 MVA, 2,304 distribution transformers, and approximately 282 kilometers of network lines. With this capacity, Clark Electric is well positioned to meet customer power requirements over the next three to five years.

As of end 2025, Clark Electric's distribution network was valued at ₱1.740 billion, reflecting continued investment in system reliability and service quality. Planned outages were significantly reduced during the year, while unplanned interruptions averaged 1.86 and system losses were 1.83%, well below the regulatory cap. To further enhance service reliability and operational efficiency, Clark Electric is implementing smart grid initiatives, including Remote Controlled Line Reclosers ("RCLRs") and Online Condition Monitoring Systems, to optimize its Advanced Distribution Management System ("ADMS").

The properties of *MERALCO* and Clark Electric are located within their respective franchise areas to support efficient operations and service delivery. The Company maintains these assets in line with established asset management practices and are adequately insured.

None of the assets of *MERALCO* are pledged or otherwise encumbered as security for long term debt. Clark Electric and Shin Clark Power are debt-free.

MGen, through its subsidiaries, GBPC, MGreen, Atimonan Land Ventures Development Corporation ("ALVDC"), Calamba Aero Power Corporation's ("CAPC"), owns a total of 951 MW of power generating thermal and solar power plants, as well as several parcels of land for the development and construction of power plant projects. GBPC and its subsidiaries own coal and diesel power plants, including parcels of land and buildings, in the Visayas and Mindanao islands. MGreen and its subsidiaries own solar power plants, including several parcels of land and buildings in Bulacan, Ilocos Norte, Rizal, Batangas, Tarlac and Nueva Ecija. Through, MTerra Solar, it is developing a 3,500 MWdc solar power plant with a 4,500 MWh battery energy storage system. ALVDC owns a land located in Atimonan, Quezon, which is intended to be used by A1E for its power plant project while the land of CAPC is held for future power plant project in Calamba, Laguna.

Certain power plant assets developed or constructed under project financing arrangements, however, are pledged as collateral for the related borrowings. These include the power plant assets of PHRI, First Bulacan, Solar Philippines Calatagan Corporation ("SP Calatagan"), Greenergy, GSEI, and Terra Solar. The tracts of land held by Terra Nueva, Inc., on which the solar power plant of Terra Solar Philippines, Inc. is being constructed, are also pledged as security for the long term debt drawn to finance the acquisition of the land.

No other material mortgages, pledges, liens, or encumbrances have been identified.

The *MERALCO Group* has various lease arrangements as a lessee, with contract terms ranging from one (1) year to 30 years, primarily covering office premises, payment offices, and substation sites and towers. These lease contracts typically provide renewal options, subject to the conditions specified in the respective agreements. Rent expense incurred by the MERALCO Group amounted to ₱808 million in 2025, ₱787 million in 2024, and ₱842 million in 2023.

Capital investments of the *MERALCO Group* are guided by a Board approved annual capital expenditure ("CAPEX") program, which largely covers planned electric capital projects for the power distribution, expansion of rooftop solar business, and major power generation initiatives. Generation related investments include A1E's power plant project in Atimonan, Quezon, several solar power developments, namely 450 MWac in Bugallon, Pangasinan and a 3.5 GWp with a 4,500 MWh Battery Energy Storage System ("BESS") under Terra Solar, 670 MW (gross) hydrogen-ready combined cycle gas turbine facility in Jurong Island, Singapore, and a 49 MW BESS project in Toledo, Cebu.

Capital expenditures for the DU are directed toward meeting the requirements of areas with high concentrations of core customers, addressing normal system deficiencies, relieving loading constraints on existing facilities, and implementing practical and cost-effective network improvements. These capital investments are financed through a combination of cash generated from operating activities and proceeds from financing activities of MERALCO Group.

LEGAL PROCEEDINGS

In accordance with the Securities Regulation Code Implementing Rules and Regulations, the following are the material legal proceedings to which the registrant (also referred to as, *MERALCO*,) is a party, or to which any of their property is a subject, including pending claims for damages against the registrant exceeding ten percent (10%) of its current assets:

1. **In the matter of the Joint Application for Approval of the Settlement Agreement between Manila Electric Company ("MERALCO") and National Power Corporation ("NPC"), with Prayer for Provisional Authority, National Power Corporation and Manila Electric Company, Applicants**
   ERC Case No. 2004-109
   (Filed by NPC and *MERALCO* on April 15, 2004)

   MERALCO v. NPC, Power Sector Assets and Liabilities Management Corporation ("PSALM"), and the Republic of the Philippines, represented by the Office of the Solicitor General
   S.C.A. Case No. 3392, RTC Pasig City, Branch 71
   (Filed on November 23, 2009)

   MERALCO v. NPC, PSALM, and the Republic of the Philippines, represented by the Office of the Solicitor General
   CA-GR CV No. 99110, Court of Appeals

   Republic of the Philippines v. MERALCO v. NPC, PSALM
   GR No. 212268, Supreme Court

   This is a joint application filed by *MERALCO* and the NPC for the approval of their Settlement Agreement ("SA") which resolved their dispute concerning their 10-year Contract for Supply of Electricity ("CSE").

   Under the SA, NPC acknowledged and accepted the losses incurred by *MERALCO* due to NPC's act of serving directly connected customers in violation of *MERALCO*'s franchise rights, and for transmission line delays affecting *MERALCO*'s Independent Power Producers ("IPPs"). On the other hand, *MERALCO* shall pay NPC the net settlement amount of ₱14,320 million, representing NPC's minimum charges corresponding to the fixed costs it incurred for the period 2002-2004. Variable costs, such as fuel and similar operating expenses that were not incurred by NPC, were not included in the minimum charge computation. Proceedings in this case remain suspended. However, with the final resolution on the validity of the SA by the Supreme Court ("SC") discussed below, NPC and PSALM filed a Joint Motion for Substitution with Motion to Revive. *MERALCO* is awaiting further action by the ERC.

   In connection with the SA between *MERALCO* and NPC, *MERALCO* filed a petition seeking the declaration by the Regional Trial Court ("RTC") Pasig that said SA, independent of the pass-through provision which is reserved for approval by the Energy Regulatory Commission ("ERC"), is valid and binding.

   The RTC Pasig rendered a Decision dated May 29, 2012 declaring the SA, independent of the pass-through provision which is reserved for ERC approval, valid and binding. The Office of the Solicitor General ("OSG") filed an appeal before the Court of Appeals ("CA") which affirmed the RTC Pasig Decision in a Decision dated April 15, 2014. The OSG then filed a Petition for Review with the SC which, in a Resolution

dated September 28, 2022, denied the Petition and affirmed the validity of the SA. In a Resolution dated April 3, 2024, the SC denied the Motion for Reconsideration filed by the OSG and Entry of Judgment has been issued.

2. In the Matter of the Application for the Approval of the Unbundled Rates Pursuant to the Provision of Republic Act No. 9136, MERALCO, Applicant
ERC Case No. 2001-900 RC
(Filed on October 30, 2001)

NASECORE v. ERC and MERALCO
C.A.-G.R. SP No. 129052
(Petition dated April 2, 2013)

National Association of Electricity Consumers for Reforms, Inc. (NASECORE) v. Energy Regulatory Commission, Manila Electric Company and the Commission on Audit
G.R. No. 226443
(Petition dated September 30, 2016)

In connection with the decision of the SC in G.R. Nos. 166769 and 166818, where the ERC was directed to request the Commission of Audit ("COA") to undertake a complete audit of the books, records and accounts of *MERALCO*, the COA submitted its Report No. 2009-01 on the rate audit of the unbundled charges of *MERALCO* for calendar years 2004 to 2007 to the ERC. In an Order dated June 21, 2011, the ERC, acting on the COA Audit Report, resolved to maintain and affirm its findings and conclusions in its Decision dated March 20, 2003 and Order dated May 20, 2003 in the original unbundling case.

An intervenor, National Association of Electricity Consumers for Reforms, Inc. ("NASECORE"), questioned the Order dated June 21, 2011. The ERC denied the motion for reconsideration in an Order dated February 4, 2013.

NASECORE filed a Petition for Review before the CA questioning the June 21, 2011 and February 4, 2013 Orders of the ERC. In a Decision dated February 29, 2016, the CA denied the petition filed by NASECORE. NASECORE's motion for reconsideration was denied in a Resolution dated August 18, 2016.

NASECORE then filed a Petition for Review on Certiorari with the SC to assail the CA Decision and Resolution. On November 13, 2019, *MERALCO* received a Decision dated October 8, 2019 partially granting the Petition filed by NASECORE, which among other things, (i) voided the adoption by the ERC of the current or replacement cost in the valuation of *MERALCO*'s Regulatory Asset Base; and (ii) remanded the case to ERC to determine, within 90 days from finality of the Decision. *MERALCO*, the DU intervenors and the ERC filed their respective motions for reconsideration. The SC Decision is now final and executory.

The ERC adopted its policy direction in compliance with the SC Decision under ERC Resolution No. 19, Series of 2025. The ERC clarified that the ruling only applies to *MERALCO*'s unbundled rates from June 2003 to June 2007 and does not extend to other DUs, regulatory periods or affect final ERC decisions. The ERC also adopted the trending method for valuing *MERALCO*'s RAB for the affected period. A separate Order will be issued to *MERALCO* to submit a revised RAB valuation for the covered period using the trending method. The ERC will likewise determine the parameters for the pass-through of expenses not directly and entirely related to distribution operations for the same period. Pursuant to the ERC Resolution, the ERC

issued an Order dated February 27, 2026, directing *MERALCO* to submit a new asset valuation report using the trending method for the period covered by the SC Decision. *MERALCO* is currently preparing its compliance with the Order.

3. In the Matter of the Application for Refund of Overcharge (sic) Distribution Rates in the Residential Rates of ₱39 Billion in 2004-2007.
ERC Case No. 2008-092 CC
(Filed by the Applicant on July 15, 2008)

This application was filed by a *MERALCO* customer, seeking the refund of a total of ₱39 billion to residential customers on the grounds that *MERALCO* allegedly overcharged its distribution costs (distribution, metering, supply and systems loss charges) for the period of 2004-2007. *MERALCO* received the Joint Memorandum filed by the NASECORE, Federation of Village Association ("FOVA") and Federation of Las Piñas Village Association ("FOLVA") on October 22, 2008. *MERALCO* filed its Memorandum on October 24, 2008, while it received the customer's Memorandum on October 28, 2008. On September 14, 2010, the ERC issued a Decision dismissing the case. The customer filed a motion for reconsideration which, as at May 7, 2026, is pending resolution by the ERC.

4. In the Matter of the Application for Approval of: a) an Interim Average Rate ("IAR"); and b) Translation of the IAR into a Distribution Rate Structure for MERALCO's Various Customer Classes, with Prayer for the Issuance of a Provisional Authority, MERALCO, Applicant.
ERC Case No. 2015-112 RC
(Filed on June 11, 2015)

On June 11, 2015, *MERALCO* filed its application for the approval of its proposed IAR of ₱1.3939 per kWh and translation thereof into rate tariffs by customer category. On July 10, 2015, the ERC provisionally approved an IAR of ₱1.3810 per kWh and the rate translation per customer class, which was reflected in the customer bills starting July 2015.

In a Decision dated June 16, 2022, which was received by *MERALCO* on July 13, 2022, the ERC approved a revised and final IAR of ₱1.3522 per kWh which shall be implemented as the final distribution rate for the period from July 1, 2015 to June 30, 2022. The ERC likewise approved the corresponding distribution rate structure based thereon. *MERALCO* was authorized to continue implementing the ERC-approved IAR of ₱1.3522 per kWh until otherwise directed. *MERALCO* implemented the Decision starting its August 2022 billing. The Decision is now final and executory.

5. In the Matter of the Application for Approval of: a) Confirmation of the True-Up Calculation of the Actual Weighted Average Tariff ("AWAT") vis-à-vis ERC-Approved Average Rate Implemented for the Lapsed Regulatory Years; and b) Approval of the Final Refund Scheme to Account for the Lapsed Regulatory Years, with Prayer for Provisional Authority, MERALCO, Applicant.
ERC Case No. 2020-043 RC
(Filed on December 23, 2020)

Alfredo J. Non vs. ERC and MERALCO
CA-G.R. SP No. 184742
(Filed on July 13, 2024)

Romeo Junia, Power for People Coalition (P4P) Convenor Gerard Arances, Konsyumer National Coordinator Victor Morillo, Partido Lakas ng Masa President Leodegario De Guzman, and SANLAKAS, represented by Marie Marguerite M. Lopez vs. ERC, represented by its Chairperson and Chief Executive Officer, Monalisa Dimalanta, and MERALCO
CA G.R SP No. 185435
(Filed on August 12, 2024)

National Association of Electricity Consumers for Reforms, Inc. vs. ERC, MERALCO, and Commission on Audit
G.R. No. 274704
(Filed on July 29, 2024)

On December 23, 2020, *MERALCO* filed an application seeking: (1) confirmation of the true-up calculation of the Actual Weighted Average Tariff ("AWAT") vis-à-vis the ERC-approved average rate for the lapsed regulatory years; and (2) approval of the final refund scheme to account for such lapsed regulatory years. The initial application covered the period from June 30, 2015 to November 2020, during which *MERALCO* implemented the Interim Average Rate ("IAR").

In an Order dated January 27, 2021, the Energy Regulatory Commission ("ERC") granted *MERALCO* provisional authority to implement the refund. Accordingly, the refund commenced with the March 2021 billing.

Subsequently, the ERC expanded the refund period to include December 2020 to December 2021. As a result, *MERALCO* was directed to refund a total amount of ₱4,837 million, corresponding to an average refund rate of ₱0.1064 per kWh, covering the period from December 2020 to December 2021. The refund was implemented beginning March 2022 billing.

Thereafter, an additional among of ₱21,769 million, equivalent to an average refund rate of ₱0.4790 per kWh, covering the period from July 2015 to June 2022 was ordered to be refunded, as well. *MERALCO* implemented the Decision starting with its July 2022 billing, and the refund amounts were fully completed by May 2023 billing. *MERALCO* informed the ERC that the foregoing orders resulted in an over-refund of ₱860 million and proposed the recovery of such amount on a fixed rate per kWh consumption over 12 months. As of December 31, 2025, the ERC has not responded to *MERALCO* 's letter.

In an Order dated January 25, 2024, which *MERALCO* received on June 13, 2024, the ERC denied the motions for reconsideration filed by other intervenors and affirmed its June 16, 2022 Decision. Thereafter, one intervenor-consumer filed a Petition for Review with the Court of Appeals ("CA"), while another intervenor-consumer filed a Petition for Certiorari with the CA. In addition, on August 1, 2024, *MERALCO* received a copy of a Petition for Certiorari filed by a consumer group before the Supreme Court ("SC").

As of May 7, 2026, all Petitions remain pending before the CA and the SC.

6. In Re Petition for Dispute Resolution. MERALCO v. Philippine Electric Market Corporation ("PEMC"), National Transmission Corporation (TransCo), National Power Corporation ("NPC") and Power Sector Asset and Liabilities Management Corporation ("PSALM")
ERC Case No. 2008-083 MC
(Filed on September 9, 2008)

PSALM vs. ERC, MERALCO and PEMC
CA GR. SP. No. 132446
(Petition received on October 24, 2013)

PSALM vs. ERC, MERALCO and PEMC
G.R. No. 219977
(Petition received on October 27, 2015)

This is a petition filed by *MERALCO* for dispute resolution against PEMC, TransCo, NPC and PSALM as a result of the congestion in the transmission system of TransCo arising from the outage of the San Jose-Tayabas 500 kV Line 2 on June 22, 2008, followed by the outage of the 500 kV 600 MVA Transformer Bank #2 of TransCo's San Jose, Bulacan substation on July 11, 2008. The petition seeks, among others, to direct NPC and PSALM to refund the transmission line loss components of the line rentals associated with NPC/PSALM bilateral transactions from the start of Wholesale Electricity Spot Market ("WESM") operation on June 26, 2006.

In a Decision dated March 10, 2010, the ERC granted *MERALCO*'s petition and ruled that there is double charging of the transmission line cost on *MERALCO* by NPC for the Transition Supply Contract ("TSC") quantities to the extent of 2.98% loss factor, since the start of the TSC in November 2006. Thus, NPC was directed to refund/collect line rental adjustment to/from *MERALCO*. In the meantime, the ERC issued an Order on May 4, 2011 allowing PEMC to submit an alternative methodology for the segregation of line rental into congestion cost and line losses from the start of the WESM. PEMC has filed its compliance submitting its alternative methodology.

In an Order dated March 4, 2013, the ERC approved the methodology proposed by *MERALCO* and PEMC in computing the double charged amount on line losses by deducting 2.98% from the NPC-TOU amount. Accordingly, the ERC determined that the computed double charge amount to be collected from NPC is ₱5.2 billion, covering the period November 2006 to August 2012 until actual cessation of the collection of the 2.98% line loss charge in the NPC-TOU rates imposed on *MERALCO*. In this regard, NPC was directed by the ERC to refund said amount by remitting to *MERALCO* the equivalent amount of ₱73.944 million per month until the over-recoveries are fully refunded. In said Order, the ERC likewise determined that the amount to be collected from the Successor Generating Companies ("SGCs") is ₱4.7 billion. Additionally, *MERALCO* was directed to file a petition against the following SGCs: Masinloc Power Partners Co. Ltd. ("*MPPCL*"), Aboitiz Power Renewables, Inc. ("*APRI*"), TLI, San Miguel Energy Corporation ("SMEC") and Sem-Calaca Power Corporation ("SCPC"), within 30 days from receipt thereof, to recover the line loss collected by them. On April 30, 2013 and May 8, 2013, PSALM and NPC, respectively, filed motions seeking reconsideration of the March 4, 2013 Order.

In an Order dated July 1, 2013, the ERC issued the following clarifications/resolutions: 1) SPPC should be included as one of the SGCs against whom a petition for dispute resolution should be filed by *MERALCO*; 2) Amount to be refunded by NPC is not only ₱5.2 billion but also the subsequent

payments it received from *MERALCO* beyond August 2012 until the actual cessation of the collection of the 2.98% line loss charge in its TOU rates and Petition to be filed by *MERALCO* against the SGCs should not only be for the recovery of the amount of ₱4.7 billion but also the subsequent payments beyond August 2012 until the actual cessation of the collection of the 2.98% line loss charge in its TOU rates; 3) "SCPC Ilijan" pertains to SPPC instead. Thus, the refundable amount of ₱706 million pertaining to "SPPC Ilijan" should be added to SPPC's refundable amount of ₱1.1 billion; 4) Grant the "Motion for Extension" filed by *MERALCO* and directed *MERALCO* to file a petition against the following SGCs: MPPCL, APRI, TLI, SMEC, SCPC and SPPC, otherwise, it shall be the one liable to refund the subject amount to its customers; and 5) deny the respective Motions for Reconsideration ("MR") filed by NPC and PSALM.

On October 24, 2013, *MERALCO* received PSALM's Petition for Certiorari with the *CA* (With Urgent Temporary Restraining Order and/or Writ of Preliminary Mandatory Injunction Applications) to question the March 4, 2013 and July 1, 2013 Orders of the ERC. On December 1, 2014, the CA issued a decision dismissing the Petition for Certiorari filed by PSALM against the ERC, *MERALCO* and PEMC and affirming ERC's ruling on the refund of the ₱5.2 billion of transmission line losses double charged by PSALM and NPC. On January 30, 2015, PSALM filed its MR of the December 1, 2014 Decision of the CA. In a Resolution dated August 11, 2015, the CA denied PSALM's MR.

On October 27, 2015, *MERALCO* received PSALM's Petition for Review with the SC. The Petition has been given due course and the parties have filed their respective memoranda. As at May 7, 2026, *MERALCO* is still awaiting further action of the SC on the Petition.

Petition for Dispute Resolution against SPPC, MPPCL, APRI, TLI, SMEC and SCPC
ERC Case No. 2013-077 MC

On August 29, 2013, *MERALCO* filed a Petition for Dispute Resolution against SPPC, MPPCL, APRI, TLI, SMEC and SCPC in compliance with the March 4, 2013 and July 1, 2013 Orders of the ERC. Said Petition sought the following reliefs: 1) refund of the 2.98% transmission line losses in the amount of ₱5.4 billion inclusive of the ₱758 million line loss amount for the period September 2012 to June 25, 2013, from said SGCs; and 2) approval of *MERALCO*'s proposal to correspondingly refund to its customers the aforementioned line loss amounts, and when the same are received from the SGCs, until such time that the said over-recoveries are fully refunded, by way of automatic deduction of the amount of refund to the computed monthly generation rate. On September 20, 2013, *MERALCO* received the SGCs' Joint Motion to Dismiss. On October 7, 2013, *MERALCO* filed its Comment on the said Joint Motion. As at May 7, 2026, *MERALCO* is awaiting the ERC's resolution of the SGCs' Joint Motion to Dismiss.

7. Bayan Muna Representatives Neri Javier Colmenares v. ERC
NASECORE, et. al. v. MERALCO and ERC
SC G.R. Nos. 210245 and 210255
Filed: December 19, 2013

On December 19, 2013, several party-list representatives in Congress filed a Petition docketed as G.R. 210245 before the SC questioning the ERC's approval of *MERALCO*'s proposed staggered recovery of the increase in generation charge for the November 2013 supply month, allegedly for lack of due process. The increase in the generation charge was from ₱5.6673 per kWh in the November 2013 billing to ₱9.1070 per kWh for the December 2013 billing which *MERALCO* proposed to recover in three (3) tranches. A similar Petition was filed on December 20, 2013 challenging *MERALCO*'s automatic rate adjustments and increases, also allegedly for lack of due process. This Petition was docketed as G.R.

210255. Both Petitions prayed for the issuance of Temporary Restraining Order ("TRO") and Writ of Preliminary Injunction pending resolution of the case.

On December 23, 2013, the SC issued an Order consolidating the two (2) Petitions and granting the application for TRO effective immediately and, for 60 days, enjoining (1) ERC, its agents, representatives, or persons acting in its place and stead, from implementing its December 9, 2013 Order and acting further on the letter request of *MERALCO* dated December 5, 2013; and (2) *MERALCO*, its agents, representatives, or persons acting in its place and stead, from increasing the rates it charges to its consumers based on the matters it raised in its December 5, 2013 letter. Said Order likewise set the cases for oral arguments on January 21, 2014 and required respondents ERC and *MERALCO* to file their respective Comments on the cases. On January 8, 2014, *MERALCO* filed its Consolidated Comment/Opposition with Counter-Petition. In keeping with the spirit and intent of the SC, *MERALCO* maintained the pass-through charges at the November 2013 billing level for its January 2014 billing to customers.

On January 10, 2014, *MERALCO* received a related Petition for Certiorari, Prohibition and Mandamus filed before the SC by Rep. Hicap (Anak Pawis), et. al, docketed as G.R. No. 210334. In a Resolution dated August 1, 2023, the SC dismissed the Petition.

On January 21, 2014, *MERALCO* received another related Petition, dated January 16, 2014, which was filed before the SC by Mr. Augusto L. Syjuco, Jr. in his capacity as taxpayer and *MERALCO* customer. During the January 21, 2014 hearing, the SC, among other things, set the cases for additional hearings on February 4 and 11, 2014.

On February 18, 2014, the SC extended the TRO for another 60 days, or until April 22, 2014, and expanded the coverage to include the generation companies, PEMC and NGCP to enjoin them from collecting from *MERALCO*. In its Resolution dated April 22, 2014, the SC extended the TRO indefinitely.

In a Decision promulgated on August 3, 2022, the SC affirmed the December 9, 2013 ERC letter approving *MERALCO*'s proposal to implement a staggered collection over three (3) months covering the December 2013 billing month. However, it voided the ERC March 3, 2014 Order which voided the Luzon WESM prices during the November and December 2013 supply months and imposed the use of regulated rates for said period. The ERC and the petitioners filed motions for reconsideration which were denied with finality in the SC Resolution dated October 11, 2022. Entry of Judgment has been issued.

In a letter dated September 25, 2023, *MERALCO* filed a letter with the ERC on its proposed implementation of the recovery of the generation charges pertaining to the December 2013 supply month. In a letter dated December 11, 2023, the ERC invited *MERALCO* and Independent Electricity Market Operation of the Philippines ("IEMOP") to a meeting on January 4, 2024 to discuss its proposed implementation of the Decision. In a letter dated March 12, 2024, as directed by the ERC, *MERALCO* and IEMOP informed the ERC that it has jointly determined the amounts to be collected by IEMOP from *MERALCO* with respect to the November and December 2013 supply periods. As at February 25, 2026, *MERALCO* is awaiting the ERC's response on this matter.

ATTY. ISABELO JOSEPH P. TOMAS II, in his capacity as the Investigating Officer of the Investigatory Unit Constituted by the Honorable Commission pursuant to its Office Order No. 38, Series of 2013 dated December 26, 2013 v. Manila Electric Company (MERALCO) and Therma Mobile, Inc. (TMO)
ERC Case No. 2015-025 MC
Complaint dated May 9, 2015

Manila Electric Company v. Energy Regulatory Commission and Director Alfredo R. Vergara, Jr. and Engr. Nelson D. Canlas, in their capacity as the Investigating Officers of the Investigatory Unit of the Energy Regulatory Commission
CA-G.R. SP No. 152612
(consolidated with the Petitions filed by TMO and APRI docketed as CA-GR SP Nos. 152588 and 152613)
Petition filed on September 19, 2017

Energy Regulatory Commission v. Therma Mobile, Inc., Manila Electric Company, and AP Renewables, Inc.
G.R. Nos. 244449 and 244455-56

On December 26, 2013, the ERC constituted the Investigating Unit ("IU") under its Competition Rules to investigate possible anti-competitive behavior by the industry players and possible collusion that transpired in the WESM during the supply months of November 2013 and December 2013. *MERALCO* participated in the proceedings and submitted a Memorandum.

An investigating officer of the IU filed a Complaint dated May 9, 2015 against *MERALCO* and TMO for alleged anti-competitive behavior constituting economic withholding in violation of Section 45 of the EPIRA and Rule 11, Section 1 and 8(e) of the EPIRA IRR. In an Order dated June 15, 2015 the ERC directed *MERALCO* to file its comment on the Complaint. *MERALCO* and TMO have filed their respective answers to the Complaint.

MERALCO likewise filed an Urgent Motion to Dismiss with Motion to Suspend Proceedings which was adopted by TMO in its Manifestation and Motion filed on July 28, 2016. *MERALCO* maintained that the Complaint should be dismissed due to the absence of subject matter jurisdiction as it is now the Philippine Competition Commission ("PCC") which has original and primary jurisdiction over competition-related cases in the energy sector. On August 23, 2016, *MERALCO* filed an Urgent Motion Ad Cautelam for suspension of proceeding including period to file pre-trial brief and judicial affidavit.

In a Motion dated August 25, 2016, complainant filed a Motion to defer the submission of the complainant's pre-trial brief and judicial affidavit. In an Order dated June 13, 2017, the ERC denied the motion to consolidate but upheld the authority of private counsel to represent the complainants. *MERALCO* filed a Motion for Partial Reconsideration to question such authority.

In an Order dated February 2, 2017, the ERC denied the motion to dismiss and asserted jurisdiction over the Complaint. *MERALCO* filed its MR to the Order on February 23, 2017. In an Order dated June 20, 2017, the ERC denied the MR. On September 19, 2017, *MERALCO* filed a Petition for Certiorari with the CA.

TMO also filed a separate Petition for Review on Certiorari with the CA. In a Resolution dated January 10, 2018, the CA ordered the consolidation of the petitions of TMO and *MERALCO*. In a Decision dated May 23, 2018, the CA denied the consolidated Petitions filed by *MERALCO*, TMO, and APRI, and ruled that the jurisdiction to resolve the IU cases remains with the ERC because the Philippine Competition Act ("PCA") does not apply retroactively.

On June 20, 2018, *MERALCO* filed an MR with the CA. The ERC likewise filed its Motion for Partial Reconsideration on the ground that it retained concurrent jurisdiction together with the PCC over cases involving alleged anti-competitive conduct supposedly because the PCA did not repeal Section 45 of the EPIRA.

In a January 28, 2019 Resolution, the CA denied the motions for reconsideration filed by all of the parties. While it sustained its finding that the PCC now holds original, exclusive, and primary jurisdiction over all competition-related cases, the CA reiterated its view that the PCA has no retroactive effect. The ERC elevated the CA Decision to the SC. *MERALCO*, TMO and APRI have all filed their respective manifestations before the SC. In a Resolution dated September 29, 2021, the SC affirmed the CA in that the ERC had jurisdiction over these cases as they were filed before the enactment of the PCA. However, the SC did not rule on whether the PCC and the ERC now have concurrent jurisdiction as these issues were not fully litigated.

In the meantime, the ERC called for a conference on March 26, 2021 in order to discuss updates and developments regarding the case. On April 14, 2021, *MERALCO* filed an Urgent Motion Ad Cautelam to Suspend Proceedings in view of the pendency of the case before the SC. The ERC then issued an Order dated August 13, 2021, setting the pre-trial conference on August 27, 2021. *MERALCO* filed a Manifestation and Urgent Omnibus Motion Ad Cautelam to (a) resolve the Urgent Motion Ad Cautelam to Suspend Proceedings dated April 14, 2021 and (b) cancel the August 27, 2021 Pre-trial conference dated August 20, 2021. The pre-trial conference proceeded on August 27, 2021. However, the ERC stated that, after the pre-trial conference and before the case can proceed with trial on the merits, the ERC will first resolve *MERALCO*'s motions. The ERC also issued an open court order denying the motion of the ERC IU that the case be resolved through the submission of the position papers and other supporting documents. The ERC IU filed a Motion for Reconsideration to which *MERALCO* filed an opposition. As at May 7, 2026, *MERALCO* is awaiting further action by the ERC on the matter.

8. Recovery of the Differential Generation Charge for the December 2013 supply month
ERC Case No. 2014-013 RC
(Filed on February 17, 2014)

Following the Supreme Court's clarification that the Temporary Restraining Order (TRO) in G.R. Nos. 210245 and 210255 covered only the December 2013 billing, *MERALCO* filed with the Energy Regulatory Commission (ERC) to recover the incremental generation charge for the December 2013 supply month (January 2014 billing). The Application sought recovery of the difference between the actual generation charge and the amount billed for January 2014. Specifically, *MERALCO* prayed for authority to recover fully a total of P9.0 billion billed by the generators without prejudice to the final resolution by the SC of the pending case; pending Omnibus Motion with the ERC and findings of the ERC Investigation Unit.

On 11 March 2014, *MERALCO* received the ERC's Order, which declared the Luzon WESM prices void during the November and December 2013 supply months and imposed regulated prices in lieu thereof.

Consequently, on March 25, 2014, *MERALCO* filed an Amended Application, taking into account the ERC Order and the recalculated bills for the December 2013 supply month as determined by the Philippine Electricity Market Corporation (PEMC). The ERC is expected to issue an Order once these pending issues are resolved. As of May 7, 2026, *MERALCO* remains awaiting further action from the ERC on the Application.

9. SMEC, SPPC, SPDC, SMC Powergen and Petron v. ERC and PEMC, SNAP-Magat and SNAP-Benguet v. ERC and PEMC
1590 v. ERC and PEMC
APRI v. ERC, Team Energy v. ERC and PEMC
Sem Calaca v. ERC and PEMC
MPPCL v. ERC
TLI v. ERC
TMO v. ERC
Northwind v. ERC
CA-GR SP No. 133506, 138056, 138105, 138120, 138121, 138151, 138188, 138223, 138272, 138470
Court of Appeals

ERC v. SMEC, SPPC, SPDC, SMC Powergen and Petron, 1590, APRI, SEM Calaca, MPPCL, TLI, TMO, Northwind
S.C. GR No. 246621-30
Supreme Court

MERALCO v. SMEC, SPPC, SPDC, SMC Powergen and Petron, 1590, APRI, SEM Calaca, MPPCL, TLI, TMO, Northwind
S.C. GR No. 247352-61
Supreme Court

In a Decision dated November 7, 2017, the Court of Appeals (CA) nullified the ERC Orders that had voided the Luzon WESM prices for the November and December 2013 supply months and reinstated the WESM prices for the said period.

The ERC and *MERALCO* each filed their respective motions for reconsideration, while several consumer groups likewise filed motions to intervene and motions for reconsideration. In a Resolution dated March 29, 2019, the CA denied all motions for reconsideration and affirmed its November 7, 2017 Decision.

Thereafter, *MERALCO* and the ERC separately filed Petitions for Review on Certiorari with the Supreme Court assailing the CA Decision and Resolution. In a Resolution dated November 4, 2020, the Supreme Court consolidated the petitions for joint disposition.

As of May 7, 2026, the consolidated cases remain pending before the Supreme Court.

10. **In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2016, with Prayer for Provisional Authority, Manila Electric Company, Applicant**
ERC Case No. 2015-016 RC
(Filed on February 9, 2015)

In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2017, with Prayer for Provisional Authority, Manila Electric Company, Applicant
ERC Case No. 2016-017 RC
(Filed on March 8, 2016)

In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2018, with Prayer for Provisional Authority, Manila Electric Company, Applicant
ERC Case No. 2017-027 RC
(Filed on April 3, 2017)

In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2019, with Prayer for Provisional Authority, Manila Electric Company, Applicant
ERC Case No. 2018-032 RC
(Filed on April 30, 2018)

In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2020, with Prayer for Provisional Authority, Manila Electric Company, Applicant
ERC Case No. 2019-050 RC
(Filed on July 1, 2019)

In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2021, with Prayer for Provisional Authority, Manila Electric Company, Applicant
ERC Case No. 2020-028 RC
(Filed on September 28, 2020)

In the Matter of the Application for Authority to Implement the Proposed Capital Expenditure (CAPEX) Program for RY 2022, with Prayer for Provisional Authority, Manila Electric Company, Applicant
ERC Case No. 2021-060 RC
(Filed on July 27, 2021)

Absent the final rules governing the lapsed period from RY 2016, *MERALCO* filed its applications for approval of authority to implement its CAPEX program for each of the RYs beginning July 1, 2015 until June 30, 2022. This is consistent with the provisions of Section 20(b) of Commonwealth Act No. 146, as amended, otherwise known as the Public Service Act. For forecast CAPEX after June 30, 2022, the proposals were filed as part of *MERALCO*'s regulatory reset applications.

Except with respect to partial approval by the ERC of the RY 2016 CAPEX amounting to ₱15,466 million, provisional authority granted by the ERC to implement certain projects for RY 2017 amounting to ₱8,758 million, approval of the RY 2018 CAPEX amounting to ₱16,371 million, all other applications remain pending with the ERC. As at May 7, 2026, *MERALCO* is awaiting the final resolution and approval of the ERC.

Pending ERC's approval, *MERALCO* manifested several projects as "urgent" or "emergency in nature" and proceeded with the implementation of said CAPEX.

11. Bayan Muna Chairman Neri Colmenares and Bayan Muna Representative Carlos Zarate v. Department of Energy, et al., G.R. No. 248887 Supreme Court En Banc Petition dated September 5, 2019

Bayan Muna Chairman Neri Colmenares and Representative Carlos Zarate filed a Petition for Certiorari and Prohibition with Application for the Issuance of a Writ of Preliminary Injunction and/or TRO dated September 5, 2019 before the SC against the DOE, *MERALCO*, and other DUs with published competitive selection process ("CSP") bids in the DOE website.

Petitioners sought to: (a) nullify the DOE Department Circular No. 2018-02-003 ("2018 DOE Circular") or, in the alternative, nullify Section 16.1 and the provisions related thereto or resulting therefrom; (b) prohibit DUs from implementing the CSP under the 2018 DOE Circular; (c) restrain the implementation of the 2018 DOE Circular pending the resolution of the Petition. Petitioners claim that the 2018 DOE Circular, which repealed DOE Department Circular 2015-06-0008 ("2015 DOE Circular"), is void for violating various policies and provisions intended to protect consumers under the EPIRA and under the Constitution. On December 17, 2019, *MERALCO* filed its Comment to the Bayan Muna Petition. As at February 25, 2026, *MERALCO* is awaiting further action of the SC on this matter.

However, on October 23, 2023, with the effectivity date of the new ERC CSP Guidelines (ERC Resolution No. 16, Series of 2023), the 2018 DOE Circular has been repealed. Thus, the main issue of the petitioners in this case should be considered moot already.

12. In the Matter of the Application for Approval of the Annual Revenue Requirement and Performance Incentive Scheme for the Fifth Regulatory Period (2023 to 2026) in Accordance with the Provisions of the Rules for Setting Distribution Wheeling Rates (RDWR), As Amended, With Prayer for Provisional Authority
ERC Case No. 2022-015 RC
Docketed on March 16, 2022

In accordance with the RDWR, on March 16, 2022, *MERALCO* filed its application for approval of its Annual Revenue Requirement ("ARR") and Performance Incentive Scheme ("PIS") for the Fifth Regulatory Period ("RP") or Regulatory Years ("RY") 2023 to 2026.

On September 28, 2023, *MERALCO* filed an Urgent Omnibus Motion to: (a) withdraw the Application; (b) allow *MERALCO* to re-file its 5th *RP* Application to cover the period from *RY* 2025-2028 and (c) consider *RY* 2023 and *RY* 2024 as lapsed period and use ₱1.3522 per *kWh* as the final rate during this period.

On May 3, 2024, *MERALCO* received ERC Order dated May 3, 2024 restarting the proceedings in the case without prejudice to the resolution of pending incidents. Thereafter, on May 10, 2024, *MERALCO* received the ERC Order dated April 16, 2024 which (a) denied *MERALCO*'s Omnibus Motion to Withdraw and Re-file Application; and (b) directed proceeding with the original application based on the last two (2) remaining year. The Order was without prejudice to the ERC's treatment of the "lapsed period of the 5RP" (RY2023-24).

From May 13 to 14, 2024, hearing resumed with *MERALCO* strongly opposed proceeding with the Application. Hearings were eventually suspended to await resolution of pending incidents.

On May 27, 2024, *MERALCO* filed its Motion for Partial Reconsideration to the ERC Order dated Apr 16, 2024. *MERALCO* posited that continuing with the proceedings in the instant Application at this point of time lacks factual and legal basis as proceeding with the application is not aligned with the RDWR which *MERALCO* used as basis for filing the Application. The Order cannot amend the RDWR without violating *MERALCO*'s right to due process.

On June 10, 2024, the ERC conducted a clarificatory hearing together with their third-party consultant regarding the submitted RAB report. On July 10, 2024, *MERALCO* submitted a partial compliance submitting its clarification to some of the issues raised by the ERC.

In an Order dated October 30, 2024, the ERC resolved the various pending motions of *MERALCO* and intervenors. The ERC granted *MERALCO*'s motion to withdraw and refile its 5RP Application in accordance with the rules to be adopted by the ERC. *MERALCO*'s 5RP was further modified to cover RYs 2025-2028 (July 1, 2024, to June 30, 2028). The Order dated October 30, 2024 was then questioned by other intervenors. In an Order dated December 17, 2024, the ERC denied the motions for reconsideration filed by intervenors. The ERC further resolved to declare the period from July 1, 2022 to June 30, 2025 under *MERALCO*'s original 5RP as Lapsed and directed *MERALCO* to file within thirty (30) days from receipt its application for the true up of its Maximum Average Price versus Actual Weighted Average Tariff covering the period declared as lapsed, subject to evaluation, confirmation and approval of the ERC. As at February 25, 2026, *MERALCO* is preparing its application in compliance with the Order.

13. In the Matter of the Application for Authority to Issue Bonds or Evidence of Long-Term Indebtedness and to Mortgage, Pledge, or Encumber Property for this Purpose, with Prayer for Provisional Authority
ERC Case No. 2019-029 MC
Filed on October 28, 2019

In compliance with the provisions of the Public Service Act, on October 28, 2019, *MERALCO* filed an application, with prayer for provisional authority, for continuing authority to: (a) issue bonds or other evidence of indebtedness; and (b) whenever necessary, to mortgage, pledge or encumber any of its property to any creditor in connection with its authority to issue bonds or any other evidence of long-term indebtedness. Hearings have been completed and *MERALCO* submitted its FOE. On January 25, 2021, *MERALCO* filed a Manifestation with Urgent Motion for Resolution. *MERALCO* filed a Motion to Withdraw the Application which was granted by the *ERC* in its Order dated September 8, 2025.

14. Neri J. Colmenares, et. al. v. ERC, COA, MERALCO
G.R. No. 246422
Supreme Court
Petition for Certiorari dated April 27, 2019

Petitioners filed the instant Petition for Certiorari to question the legality of the collection of bill deposits by *MERALCO*. The Petition likewise questioned the interest rate earned by the bill deposit. On January 24, 2025, MERALCO received an SC Decision dated October 8, 2024 dismissing a Petition, which prayed to declare the provisions for bill deposits in the Magna Carta, as illegal and void and that MERALCO and other DUs be permanently prohibited from imposing and collecting bill deposit from captive customers.

15. In the Matter of Alleged Violation of the Advisories issued by the Energy Regulatory Commission (ERC) during the Enhanced Community Quarantine (ECQ) and Modified Enhanced Community Quarantine (MECQ).
ERC Case No. 2020-001 SC
Energy Regulatory Commission
Show Cause Order received June 2, 2020

On June 2, 2020, *MERALCO* received a copy of the Show Cause Order issued by the ERC directing *MERALCO* to submit its explanation on why it should not be held liable for alleged violations of the Honorable Commission's directives as contained in: (1) Item No. 3 of the March 26, 2020 Advisory, Item No. 4 of April 15, 2020 Advisory and Item No. 5 of May 5, 2020 Advisory; (2) Item No. 6 of April 15, 2020 Advisory; and (3) Item No. 2 of May 5, 2020 Advisory. In a Decision dated August 20, 2020, the ERC ordered *MERALCO* to pay a fine of ₱19 million and directed that the Distribution, Supply and Metering ("DSM") charges be set to zero for lifeline customers. On September 11, 2020, *MERALCO* paid the ₱19 million fine and filed a Motion for Partial Reconsideration with respect to the directive to set the DSM charges to zero for lifeline customers. *MERALCO* implemented the directive to set the DSM charges to zero for lifeline customers in its October 2020 billing to customers subject to the resolution of its Motion for Partial Reconsideration. As at February 25, 2026, the Motion for Partial Reconsideration is pending with the ERC.

16. In Re: Non-Compliance to the Directive to Submit Data on the Validation of Actual/Historical Expenditure
ERC Case No. 2020-106 SC
Energy Regulatory Commission
Show Cause Order received December 15, 2020

In reference to the validation of the actual or historical expenditure of private DUs being undertaken by the ERC through its appointed consultant, Royal Asia Appraisal Corporation ("RAAC"), the ERC sent a letter dated January 17, 2020 directing *MERALCO* to submit specific data regarding the actual/historical expenditure covering the last approved regulatory period, or *MERALCO*'s Third Regulatory Period (July 1, 2011 to June 30, 2015), on or before February 24, 2020.

On August 4, 2020, *MERALCO* received a letter dated July 30, 2020 from the ERC granting *MERALCO*'s request for extension to defer its submission, but only until August 2020, or 27 days from its receipt of the letter, without further extension. Unfortunately, despite exerting its best efforts, *MERALCO*

was only able submit its partial but substantial compliance through a letter dated August 31, 2020, which was sent by electronic mail on September 1, 2020, given the magnitude of the detailed information required. As such, *MERALCO* could only submit information covering the Third Regulatory Period as well as other system statistics. However, *MERALCO* undertook to submit the remaining information within the next three (3) months. On November 2020, the ERC sent a letter dated 29 October 2020 inviting *MERALCO* and its concerned officers to a virtual clarificatory meeting to clarify *MERALCO*'s submission and discuss the Honorable Commission's initial review thereon on November 23, 2020. Similarly, the Honorable Commission informed *MERALCO* that it shall allow the submission of additional information as required during the meeting as well as answers to the clarificatory questions no later than five (5) business days from the date of the clarificatory meeting.

Through a letter dated November 30, 2020, which was sent via electronic mail on December 1, 2020, *MERALCO* submitted the expenditure data for the period from July 1, 2015 to September 30, 2019 as well as the additional information requested by the ERC during the November 23, 2020 clarificatory meeting.

In a letter dated December 15, 2020, which was received by *MERALCO* vis electronic mail on December 24, 2020, the ERC acknowledged *MERALCO*'s submission of expenditure data as of September 30, 2019 as well as the additional information requested during the clarificatory meeting held on November 23, 2020. On December 15, 2020, *MERALCO* received a copy of the Show Cause Order issued by the ERC requiring *MERALCO* to submit an explanation on why no administrative penalty should be imposed for its (1) delayed submission of data covering its last approved regulatory period; (2) no lapsed data submitted; (3) incomplete templates; and (4) inadequate supporting information on certain items required by the ERC. *MERALCO* filed its Compliance on January 14, 2021. As at February 25, 2026, *MERALCO* is awaiting further action of the ERC on the matter.

17. In Re: Refusal to Refund Bill Deposit in Accordance with Magna Carta and DSOAR
ERC Case No. 2023-078 SC
Energy Regulatory Commission
Show Cause Order received June 14, 2023

On June 14, 2023, *MERALCO* received the Show Cause Order dated April 12, 2023, directing *MERALCO* to submit, within 15 days from receipt thereof, its verified explanation and show cause why no administrative penalty should be imposed upon it for its alleged failure to refund to its consumers the amount of bill deposit and accrued interests, in violation of Article 7 in relation to Article 28 of the Magna Carta for Residential Electricity Consumers ("Magna Carta") and paragraph 3.4.1 of the Distribution Services and Open Access Rules ("DSOAR"). The case stemmed from complaints made by several customers who were not able to receive their refunds as the ERC suspended the annual update of bill deposit during the pandemic. As part of the Show Cause Order, *MERALCO* was directed to refund the bill deposit of the customers who filed complaints.

MERALCO explained that it did not violate the relevant provisions of the Magna Carta and DSOAR as its alleged failure to refund the bill deposit and interest to the customers was brought about by the suspension of the adjustment of bill deposit update during the effectivity of the advisory during the pandemic which suspended the annual update of the bill deposit. The suspension of the adjustment of bill deposits necessarily included the suspension of both the refund and collection of excess or insufficient bill deposit as well as the crediting of the corresponding interest.

On June 26, 2023, *MERALCO* filed a Compliance and Manifestation that, without prejudice to the final resolution of the Show Cause Order, it proceeded with the implementation of the directive for the refund of the bill deposits of customers who filed complaints. *MERALCO* will refund the full amount in their July 2023 bills. However, the refund can be made in full upon submission of certain documentary requirements.

In the case of another customer, upon verification of the records of the previous discussions before this Honorable Commission's Consumer Affairs Service ("CAS"), it appears that the case is not simply for Annual Update of Bill Deposit ("AUBD"). As confirmed during the mediation proceedings, the registered customer for the account the developer of the condominium unit. As communicated with the customer, the case will involve termination of the account by the developer and creation of a new account in the customer's name. Accordingly, the refund of the deposit and transfer of service in the name of the customer shall be processed upon the submission of the documentary requirements. *MERALCO* is still awaiting the submission of the documentary requirements for it to be able to process the refund of deposits and consequent transfer of service.

MERALCO filed its verified Compliance and Explanation on July 4, 2023. As at February 25, 2026, *MERALCO* is awaiting further action of the ERC. In the meantime, *MERALCO* has proceeded with the refund to these customers who filed complaints, *MERALCO* is still in coordination with the customers for the completion of the documentary requirements.

18. **In the Matter of the Application for Approval of the Power Supply Agreement between [MERALCO] and South Premiere Power Corp. with Prayer for Provisional Authority and/or Interim Relief and Motion for Confidential Treatment of Information**
Approval of Power Supply Agreement; Claim for Change of Circumstances – Motion for Price Adjustment
ERC Case No. 2019-081

19. **In the Matter of the Application for Approval of the Power Supply Agreement between [MERALCO] and San Miguel Energy Corporation (*now known as Sual Power Inc. [SPI]*) with Prayer for Provisional Authority and/or Interim Relief and Motion for Confidential Treatment of Information**
Approval of Power Supply Agreement; Claim for Change of Circumstances – Motion for Price Adjustment
ERC Case No. 2019-083

Court of Appeals, CA-G.R. SP No. 176036 and 176037

Supreme Court G.R. No. 267518 and 271341

20. **In the Matter of the Application for Approval of the Power Supply Agreement between [MERALCO] and ACEN Corporation (formerly known as AC Energy Philippines, Inc. (ACEN) with Prayer for Provisional Authority and/or Interim Relief and Motion for Confidential Treatment of Information**

Approval of Power Supply Agreement; Claim for Change of Circumstances – Motion for Price Adjustment
ERC Case No. 2019-078

21. In the Matter of the Application for Approval of the Power Supply Agreement between [MERALCO] and ACEN Corporation (formerly known as AC Energy Philippines, Inc. (ACEN) with Prayer for Provisional Authority and/or Interim Relief and Motion for Confidential Treatment of Information
Approval of Power Supply Agreement; Claim for Change of Circumstances – Motion for Price Adjustment
ERC Case No. 2019-079

On September 13, 2019, after being declared the winning power suppliers in a *CSP*, *MERALCO* signed three (3) *PSA*s for baseload capacity with *AC Energy* for 200 *MW*, *SPI* for 330 *MW*, and *SPPC* for 670 *MW*. On October 22, 2019, the joint applications for approval of these three (3) baseload *PSA*s were filed before the *ERC*. On December 23, 2019, the *ERC* granted provisional authority to implement *MERALCO*'s three (3) *PSA*s for baseload capacity with *AC Energy, SPPC and SPI.* In its Orders dated November 26, 2020, the *ERC* granted interim relief authorizing continued implementation of the *PSA*s, until revoked or until the issuance of a final decision by the *ERC.*

On April 18, 2022, *SPI* and *SPPC* issued to *MERALCO* Notices of Change in Circumstances, claiming that the worsening conflict between Russia and Ukraine and other geopolitical and economic factors related and/or emanating therefrom had impacted *SPI* and *SPPC*'s capability to perform their obligations under the respective *PSA*s in terms of unexpected increase in fuel cost. Thus, on May 12, 2022, *SPI* and *SPPC* (joined by *MERALCO*) filed Joint Motions for Price Adjustment with the *ERC*. On October 3, 2022, the *ERC* promulgated its Orders dated September 29, 2022, denying the Joint Motions for Price Adjustment.

On October 5, 2022, *SPI* and *SPPC* notified *MERALCO* that it will continue with its obligations under their respective baseload *PSA*s with *MERALCO* under protest and without prejudice to their rights and remedies under pertinent laws and contract. On November 4, 2022, *SPI* and *SPPC* filed Petitions for Certiorari with prayer for issuance of *TRO* and Writ of Preliminary Injunction ("*WPI*") with the *CA*, assailing the *ERC* Orders dated September 29, 2022. On November 25, 2022, the *CA* issued a *TRO* for the *SPPC* case, hence, after the *TRO* bond was posted by *SPPC*, on December 7, 2022, *SPPC* stopped accepting *MERALCO* nominations. On January 25, 2023, the *CA* issued a *WPI* for the *SPPC* case, which shall remain in effect until the main case is finally decided. Meanwhile, for the *SPI* case, on January 13, 2023, the *CA* denied *SPI*'s prayer for *TRO* and *WPI*. On February 10, 2023 and February 13, 2023, *ERC* and *MERALCO*, respectively, filed its Motion for Reconsideration of the *CA*'s issuance of *WPI* for the *SPPC* case. On April 3, 2023, the *CA* promulgated its Resolution denying the Motions for Reconsideration filed by *ERC* and *MERALCO* vis-à-vis the *CA*'s issuance of *WPI* for the *SPPC* case. On June 22, 2023, the *ERC* filed with the *SC* a Petition for Certiorari with prayer for *TRO*/*WPI*, assailing the *CA*'s issuance of *WPI* for the *SPPC* case.

On July 14, 2023, *MERALCO* received the *CA*'s Joint Decision dated June 27, 2023 (the "Joint Decision") that, among others: (a) annulled/set aside the *ERC* Orders which: (i) denied the Joint Motions for Price Adjustment and (ii) directed *MERALCO* to exhaust all options to preserve the *PSA*s; (b) granted *SPPC*'s and *SPI*'s Motions for Price Adjustment (for the period of January 2022 to May 2022), without prejudice to any further requests for price adjustments for June 2022 onwards; and (c) made permanent the Preliminary

Injunction issued in favor of *SPPC*. Starting on December 7, 2022 and July 24, 2023, *SPPC* and *SPI*, respectively, have ceased supplying energy under its baseload *PSA*s with *MERALCO*. Subsequently, *SPI* and *SPPC* issued to *MERALCO* Notices of Change in Circumstances dated August 18, 2023 claiming additional adjustment. In *MERALCO*'s letters to *SPI* and *SPPC*, both dated January 30, 2024, *MERALCO* advised *SPI* and *SPPC* to avail itself of legal remedies available to it under the law considering that it finds no basis under contract to join *SPI* and *SPPC* in the filing with the *ERC* since the *PSA*s had already been terminated.

In a Resolution dated December 28, 2023, the *CA* denied the Motions for Reconsideration ("*MR*") filed by the and Respondent-Intervenor *NASECORE*. Finding no merit in the arguments, the *CA* ruled that the grounds raised by *ERC* and *NASECORE* in their respective *MR*s had already been thoroughly considered by the *CA* in its Joint Decision and it had clearly provided the basis for its rulings, thus, the *MR*s were denied. On February 28, 2024, the *ERC* elevated the matter with the *SC* by filing a Petition for Review on Certiorari. On April 3, 2024, the *SC* issued a Resolution denying the *ERC's* Petition for Certiorari for failure to show that the *CA* committed any reversible error. On June 5, 2024, the *ERC* filed a Motion for Reconsideration. Also on April 3, 2024, the *SC* issued a Resolution dismissing the *ERC's* separate Petition for Certiorari (assailing the *TRO/WPI* issued by the *CA*) for being moot and academic. On June 27, 2024, the *ERC* filed a Motion for Reconsideration. As at September 13, 2024, the *SC* has not issued an order directing respondents *SPPC, SPI, MERALCO* and *NASECORE* to submit their respective comments to the *ERC's* motions for reconsideration.

On October 11, 2023 and (revised on) February 1, 2024, *AC Energy* issued to *MERALCO* a Notice of *CIC*, claiming that the abrupt and extraordinary surge in coal prices in 2022, which worsened due to the Russia and Ukraine conflict and other geopolitical and economic factors related to and/or emanating therefrom had impacted *AC Energy*'s financial capability to perform its obligations under the *PSA* in terms of unexpected surge or increase in fuel cost. Thus, on February 29, 2024, *AC Energy* (joined by *MERALCO*) filed a Joint Motion for Price Adjustment with the *ERC* for its 2019 baseload *PSA* with *MERALCO*, involving ₱618 million. On May 24, 2024, *AC Energy* issued to *MERALCO* a Supplemental Notice of *CIC* to show the financial impact of the CIC to ACEN for the year 2023. Thus, on June 21, 2024, *AC Energy* (joined by *MERALCO*) filed an Updated and Supplemental Joint Motion for Price Adjustment with the *ERC* for its 2019 baseload *PSA* with *MERALCO*, involving an additional ₱910 million. On September 2, 2024, *MERALCO* received a Notice of Termination from AC Energy. To inform the ERC of this Notice of Termination, *MERALCO* filed a Manifestation and Urgent Motion to Resolve to the ERC on September 4, 2024 and September 16, 2024, respectively.

On October 28, 2024, MERALCO received AC Energy's second notice of termination, reiterating its earlier intention to terminate the subject PSA, specifically informing MERALCO that AC Energy would cease declaring its bilateral contract quantities (BCQ) under the PSA effective November 2, 2024. In response, MERALCO urged AC Energy through a letter dated October 29, 2024 not to proceed with the termination of the subject PSA and to instead await the resolution of the motion for price adjustment pending before the ERC for the benefit of the consuming public. Apart from the letter to AC Energy, MERALCO also filed with the ERC Urgent 3rd Motion to Resolve dated October 29, 2024.

However, without receiving any action from the ERC, on November 2, 2024, despite *MERALCO*'s nominations to AC Energy, the latter ceased declaring BCQs to *MERALCO* under the subject PSAs. As at February 25, 2026, the ERC has yet to act on the motion.

FGHPC, AC Energy and SPPC – Mid-merit PSAs

On September 16, 2019, after being declared the winning power suppliers in a *CSP, MERALCO* signed three (3) *PSA*s for mid-merit capacity with *FGHPC* for 100 *MW, AC Energy* for 110 *MW*, and *SPPC* for 290 *MW*. On October 22, 2019, the joint applications for approval of these three (3) *PSA*s were filed before the *ERC*. On January 30, 2020, *MERALCO* received the orders of the *ERC* granting provisional authority to implement *MERALCO*'s PSA for mid-merit capacity with *AC Energy*. On March 16, 2020, *MERALCO* received the orders of the *ERC* granting provisional authority to implement *MERALCO*'s other *PSA*s for mid-merit capacity with *FGHPC* and *SPPC.* In its Orders dated November 26, 2020, the *ERC* granted interim relief authorizing continued implementation of the *PSA*s, until revoked or until the issuance of a final decision by the *ERC.* As at July 29, 2024, the three (3) *PSA* applications are pending final decision by the *ERC*.

On October 11, 2023 and (revised on) February 1, 2024, *AC Energy* issued to *MERALCO* a Notice of *CIC*, claiming that the abrupt and extraordinary surge in coal prices in 2022, which worsened due to the Russia and Ukraine conflict and other geopolitical and economic factors related to and/or emanating therefrom had impacted *AC Energy*'s financial capability to perform its obligations under the *PSA* in terms of unexpected surge or increase in fuel cost. Thus, on February 29, 2024, *AC Energy* (joined by *MERALCO*) filed a Joint Motion for Price Adjustment with the *ERC* for its 2019 mid-merit *PSA* with *MERALCO*, involving ₱87 Million. On May 24, 2024, *AC Energy* issued to *MERALCO* a Supplemental Notice of *CIC* to show the financial impact of the CIC to ACEN for the year 2023. Thus, on June 21, 2024, *AC Energy* (joined by *MERALCO*) filed an Updated and Supplemental Joint Motion for Price Adjustment with the *ERC* for its 2019 mid-merit *PSA* with *MERALCO*, involving an additional ₱132 million. On September 2, 2024, MERALCO received a Notice of Termination from AC Energy. To inform the ERC of this Notice of Termination, *MERALCO* filed a Manifestation and Urgent Motion to Resolve to the ERC on September 4, 2024 and September 16, 2024, respectively.

On October 28, 2024, *MERALCO* received *AC Energy's* second notice of termination, reiterating its earlier intention to terminate the subject *PSA*, specifically informing *MERALCO* that *AC Energy* would cease declaring its bilateral contract quantities (BCQ) under the PSA effective November 2, 2024. In response, *MERALCO* urged AC Energy through a letter dated October 29, 2024 not to proceed with the termination of the subject *PSA* and to instead await the resolution of the motion for price adjustment pending before the *ERC* for the benefit of the consuming public. Apart from the letter to AC Energy, *MERALCO* also filed with the ERC Urgent 3rd Motion to Resolve dated October 29, 2024. However, without receiving any action from the *ERC*, on November 2, 2024, despite *MERALCO's* nominations to AC Energy, the latter ceased declaring BCQs to *MERALCO* under the subject *PSAs*. As at February 25, 2026, the *ERC* has yet to act on the motions.

MANAGEMENT REPORT

Management's Discussion and Analysis of Financial Position and Results of Operations

The following discussion and analysis of financial position and results of operations of Manila Electric Company ("*MERALCO*") and its subsidiaries, collectively referred to as the *"MERALCO Group*" should be read in conjunction with the audited consolidated financial statements as at December 31, 2025 and 2024 and for each of the three years in the period ended December 31, 2025. The consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (*"PFRS")* Accounting Standards.

The financial information appearing in this report and in the accompanying audited consolidated financial statements is presented in Philippine peso, *MERALCO Group's* functional and presentation currency, as defined under *PFRS* Accounting Standards. The exchange rate used to translate U.S. dollar to Philippine peso in this report and in the accompanying audited consolidated financial statements is US$1.00 to ₱58.79, the closing rate as at December 29, 2025 quoted through the Philippine Dealing System.

Financial Highlights and Key Performance Indicators

(amounts in million, except earnings per share, and operational data)

	As at December 31		Increase (Decrease)	
	2025	2024	Amount	%
Condensed Statements of Financial Position				
Total assets	₱823,879	₱617,958	₱205,921	33
Current assets	213,224	179,616	33,608	19
Cash and cash equivalents	109,317	84,480	24,837	29
Equity attributable to equity holders of the parent company	173,137	144,599	28,538	20
Total debt	230,046	94,776	135,270	143
Current liabilities	252,050	236,374	15,676	7
Total liabilities	600,355	432,076	168,279	39

	For the Years Ended December 31			% Change	
	2025	2024	2023	2025 vs. 2024	2024 vs. 2023
Condensed Statements of Income					
Revenues	₱497,325	₱470,362	₱443,612	6	6
Costs and expenses	448,852	425,446	407,279	6	4
Other income, net of expenses	15,119	11,768	10,456	28	13
Income before income tax	63,592	56,684	46,789	12	21
Net income	50,842	46,470	38,678	9	20
Net income attributable to equity holders of the parent	51,130	45,859	38,023	11	21
Core net income ("*CCNI*")[1]	50,570	45,142	37,110	12	22
Earnings per share ("*EPS*"), attributable to equity holders of the parent	45.36	40.69	33.74	12	21
Core *EPS*[2]	44.87	40.06	32.93	12	22

[1] Reported net income, adjusted to exclude the effect of foreign exchange gains or losses, impairment charges and reversals, mark-to-market adjustments and other one-time, non-recurring transactions, net of tax effect of the foregoing adjustments.

[2] Core net income divided by the number of common shares outstanding.

	For the Years Ended December 31			% Change	
	2025	2024	2023	2025 vs. 2024	2024 vs. 2023
Condensed Statements of Cash Flows					
Net cash provided by operating activities	72,077	42,010	57,974	72	(28)
Net cash provided by (used in) investing activities	(159,152)	(18,763)	1,569	748	(1,296)
Net cash provided by (used in) financing activities	112,520	(21,591)	(32,605)	(621)	(34)
Operational Data					
Number of customers (in thousands):					
Residential	7,598	7,432	7,231	2	3
Commercial	607	595	581	2	2
Industrial	11	11	11	-	-
Streetlight	5	5	5	-	-
Electricity sales volume (in *GWh*)	53,997	54,325	51,044	(1)	6
System loss (in percentage):					
MERALCO	5.85	5.99	5.88	(2)	2
Clark Electric Distribution Corporation ("*Clark Electric*")	1.83	2.28	1.92	(20)	19

The Key Performance Indicators ("KPI") of *MERALCO* are as follows:

		For the Years Ended December 31		
Financial KPI	**Definition**	**2025**	**2024**	**2023**
Core EBITDA	*CCNI* excluding depreciation and amortization, interest and other financial charges, interest and other financial income, and provision for income tax	₱86,356	₱74,916	₱64,368
Debt to Equity	Total debt / Equity attributable to equity holders of the parent company	1.33	0.66	0.81
Current Ratio	Current assets / Current liabilities	0.85	0.76	0.70
Net Profit Margin	Net income attributable to equity holders of the parent company / Revenues	10%	10%	9%
Return on Equity	Net income attributable to equity holders of the parent company / Equity attributable to equity holders of the parent company	30%	32%	31%
Asset Turnover	Revenues / Average total assets	69%	78%	80%

OVERVIEW

MERALCO is the Philippines' largest electric power distribution company, with a franchise area covering 9,685 square kilometers. It provides power to over 8.2 million customer accounts in 39 cities and 72 municipalities, which include Metro Manila, all of the provinces of Rizal, Cavite and Bulacan, and parts of the provinces of Pampanga, Batangas, Laguna and Quezon.

The operating businesses are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and/or services, as follows:

- Power

  The power segment consists of (a) electricity distribution, (b) power generation and (c) retail electricity supply ("*RES*").

  Electricity distribution – This principally covers the distribution of electricity and the supply of power on a pass-through basis to captive customers within the franchise areas of *MERALCO*, *Clark Electric* and Shin Clark Power Corporation ("*Shin Clark Power")*. Electricity distribution within *MERALCO* franchise area accounts for approximately 50% of the country's total power requirements. *Clark Electric*'s franchise area covers the Clark Special Economic Zone and its sub-zones, while *Shin Clark Power*'s franchise covers the New Clark City ("*NCC*").

  Shin Clark Power Holdings, Inc. *("Shin Clark Holdings"),* pursuant to a Joint Venture Agreement ("*JVA*") with *BCDA*, manages the development, operation, and maintenance of the electric power distribution system in the 9,450-hectare *NCC* located within the Clark Special Economic Zone in the towns of Capas and Bamban, Tarlac. The franchise to operate the electric distribution system in *NCC* was granted by Congress to *BCDA* under Republic Act No. 11420*,* and was subsequently assigned to *Shin Clark Power* in exchange for a 10% equity interest. *Shin Clark Power* is incorporated and registered with the Securities and Exchange Commission ("*SEC*"), and has a Certificate of Public Convenience and Necessity issued by the Energy Regulatory Commission ("*ERC")* to operate as a *DU* for a period of 25 years.

  MERALCO also manages the electric distribution facilities of Pampanga Electric Cooperative II ("*PELCO II*") through Comstech Integration Alliance, Inc ("*Comstech*") under an Investment Management Contract ("*IMC*"). It also has a similar arrangement for the management of the electric distribution facilities in the Cavite Economic Zone ("*CEZ*") under a 25-year concession agreement with the Philippine Economic Zone Authority ("*PEZA*").

  Power generation – The *MERALCO Group* has a combined net generating capacity of 5,069.7 *MW* of coal, liquid natural gas, renewable energy, and diesel-fired power plants located in the Philippines and Singapore. In addition, it is developing a total of 3,950 *MWp* of solar capacity as of December 31, 2025.

  This portfolio includes the 455 *MW* (net) supercritical coal-fired plant in Mauban, Quezon operated by San Buenaventura Philippines Ltd. Company ("*SBPL*"), in which Meralco PowerGen Corporation *("MGen")* has a 51% interest.

  Global Business Power Corporation *("GBPC")* owns 831 *MW* (net) of operating coal and diesel-fired power plants in the Visayas and Mindanao. This includes the 2 x 108.5 *MW* (net) Circulating Fluidized Bed ("*CFB*") plant in Maasim, Sarangani of Sarangani Energy Corporation ("*Sarangani Energy"*). *GBPC* has a 50% less one share interest in Alsons Thermal Energy Corporation ("*ATEC*"), which holds a 100% interest in *Sarangani Energy*.

MGreen, a wholly owned subsidiary of *MGen,* is engaged in the development, construction and operation of solar power facilities. *MGreen* holds a 60% equity interest in *First Bulacan,* which owns and operates a 55 *MWac* utility-scale solar facility in San Miguel, Bulacan, under an *ERC*-approved *PSA* with *MERALCO* for a period of 20 years until April 2041.

In 2025, *MGreen* inaugurated the 52.7 *MWac* solar power plant of Greenergy For Global Inc. ("*Greenergy*") and the 19.8 *MWac* solar power plant of Greentech Solar Energy, Inc.'s ("*GSEI*").

SP New Energy Corporation ("*SPNEC*"), through its subsidiaries Terra Solar Philippines, Inc. ("*MTerra Solar*") (60%) and Terra Nueva, Inc. ("*TNI*") (100%), are developing a 3.5-*GWp* solar power plant facility with a 4,500-*MWh* battery energy storage system. The project with the first phase involving 2,500 *MWdc* is expected to begin commercial operations in 2026 while the balance is due to be completed in 2027. *SPNEC* is 69.25% owned by *MGreen*.

MGen also secured confirmation from the *DOE* that the 1,200-*MW* ultra supercritical coal-fired power project of Atimonan One Energy, Inc.'s ("*A1E"*) remains a Committed Project and is outside the coverage of the coal moratorium policy.

PH Renewables Inc. *("PHRI")*, in partnership with Mitsui & Co.'s local unit Mit-Renewables Philippine Corporation, owns and operates the 80.1 *MWac* solar plant in Baras, Rizal ("*Baras Solar Plant*"). Separately, Nuevo Solar Energy Corporation ("*NSEC*"), a joint venture between *MGreen* and *Vena Energy,* owns and operates a 68.7 *MWac* solar plant project in Ilocos Norte.

MGreen also entered into an investment agreement with *Vena Energy*, for the development, construction and operation of a 450 *MWac* solar plant in Bugallon, Pangasinan through 3 Barracuda Energy Corporation ("*Barracuda Energy*"). Construction commenced in the fourth quarter of 2024 and is expected to begin commissioning in the first quarter of 2026.

In addition, *MGen* and Therma NatGas, Inc. ("*TNGP*") entered into an Investment Agreement with the parties owning 60% and 40% interests in Chromite Gas Holdings, Inc. ("*Chromite Holdings*"), respectively.

Outside the Philippines, *MGen* holds a combined 58% (direct and indirect) interest in PacificLight Power Pte Ltd. ("*PacificLight Power*"), which owns and operates a 2 x 400 *MW LNG*-fueled combined cycle power plant on Jurong Island, Singapore. In May 2025, *PacificLight Power* completed and commissioned a 100 *MW* fast-start *LNG* facility to provide ancillary services under a 25-year contract with Singapore's Energy Market Authority ("*EMA*"). In January 2025, *PacificLight Power* was awarded the right to develop a hydrogen-ready Combined Cycle Gas Turbine ("*CCGT*") facility with a capacity of at least 600 *MW*, scheduled to commence commercial operations in January 2029.

RES – This business segment sources and supplies electricity to qualified contestable customers. As distribution utilities, *MERALCO* and *Clark Electric* are also licensed to operate as local retail electricity suppliers within their respective franchise areas through their separate business units, *MPower* and

Cogent Energy. Under the *RCOA* framework, qualified contestable customers may procure electricity from any licensed retail electricity supplier, including *MPower* and *Cogent Energy*.

Affiliate RES entities include Vantage Energy Solutions and Management, Inc. ("*Vantage*") and Phoenix Power Solutions, Inc. ("*Phoenix Power*"), wholly owned subsidiaries of *MERALCO*; MeridianX Inc. ("*MeridianX*"), a wholly owned subsidiary of *Comstech*; and MGen Retail Electricity Supplier Corporation ("*MGen RES*"), formerly Global Energy Supply Corporation ("*GESC*"), a wholly owned subsidiary of *GBPC,* are affiliate *RES*s. Clarion Energy Management Inc. ("*Clarion*"), a wholly owned subsidiary of *Clark Electric*, was issued its *RES* license by the *ERC* on December 12, 2025, following the re-filing of its application and submission of updated requirements.

- Other Services

  The other services segment is involved principally in services associated with electricity distribution, such as, electro-mechanical engineering, construction, consulting and related manpower services, e-transaction and bills collection, telecommunications services, insurance and re-insurance, e-business development, power distribution management, energy systems management and harnessing renewable energy and electric vehicle and charging infrastructure solutions. These services are provided by *MIESCOR*, Miescor Builders, Inc. *("MBI")*, Miescor Logistics, Inc. *("MLI")* and Customer Frontline Solutions, Inc. ("*CFSI*") (collectively known as "*MIESCOR Group*"), Corporate Information Solutions, Inc. *("CIS")*, eMeralco Ventures, Inc. ("*e-MVI")*, Paragon Vertical Corporation *("Paragon")* and Radius Telecoms, Inc. *("Radius")* (collectively referred to as "*e-MVI Group*"), *Comstech*, Lighthouse Overseas Insurance Limited *("LOIL"),* Meralco Financial Services, Inc. *("Finserve")*, Meralco Energy, Inc. ("*MServ")*, MSpectrum, Inc. ("*Spectrum"*) and Movem Electric Inc. ("*Movem*").

A summary of the *MERALCO Group*'s business segments is provided below:

BUSINESS SEGMENTS		
Power		Other Services
Electricity distribution • *MERALCO* • *Clark Electric* • *Shin Clark Power* Power generation • *MGen* and subsidiaries	*RES* • *MERALCO* through *MPower* business unit • *Clark Electric* through *Cogent Energy* business unit • *Clarion* • *MGen RES* • *MeridianX* • *Phoenix Power* • *Vantage*	• *CIS* • *Comstech* • *e-MVI Group* • *Finserve* • *LOIL* • *MIESCOR Group* • *MServ* • *Spectrum* • *Movem*

RESULTS OF OPERATIONS

The consolidated results of operations and the contribution of each business segment to *MERALCO Group*'s revenues, costs and expenses, other income, and net income for the years ended December 31, 2025, and 2024 are discussed below.

	For the Year Ended December 31, 2025			
	Power	Other Services	Inter-segment Transactions	Consolidated
	(Amounts in millions)			
Revenues	₱485,547	₱21,190	(₱9,412)	₱497,325
Costs and expenses	438,263	18,604	(8,015)	448,852
Other income (expense) - net	16,457	195	(1,533)	15,119
Net income attributable to equity holders of the parent	50,847	(5)	288	51,130

	For the Year Ended December 31, 2024			
	Power	Other Services	Inter-segment Transactions	Consolidated
	(Amounts in millions)			
Revenues	₱456,918	₱18,767	(₱5,323)	₱470,362
Costs and expenses	415,527	15,118	(5,199)	425,446
Other income (expense) - net	11,118	(454)	1,104	11,768
Net income attributable to equity holders of the parent	44,673	1,797	(611)	45,859

2025 compared with 2024

REVENUES

The composition of *MERALCO Group*'s consolidated revenues by business segment is shown below.

	2025		2024		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Power	₱485,547	98	₱456,918	97	₱28,629	6
Other services	21,190	4	18,767	4	2,423	13
Inter-segment transactions	(9,412)	(2)	(5,323)	(1)	(4,089)	77
Total	**₱497,325**	**100**	**₱470,362**	**100**	**₱26,963**	**6**

Consolidated revenues increased by 6% to ₱497,325 million from ₱470,362 million. The combined higher pass-through generation and transmission charges and increased revenue contributions from *MGen* from its participation in the reserve market, and increased sales volumes of the retail electricity supply business drove the higher revenues in 2025. Distribution revenues were lower with the 2% decrease in energy sold.

Other services revenue grew by 13% to ₱21,190 million from ₱18,767 million, largely due to higher revenues from *MIESCOR* and *Bayad*. The revenues in 2025 excluded *MIDC* contribution with its deconsolidation beginning October 2024.

Power

Revenues of the power business are from electricity distribution, *RES* and power generation. *MERALCO*, *Clark Electric* and *Shin Clark Power* distribute electricity to captive industrial, commercial and residential customers within their respective franchise areas. Meanwhile, *MPower*, *Cogent Energy*, *Vantage, MeridianX* and *MGen RES* supply electricity to their qualified contestable customers. Power generation revenues are from *GBPC, First Bulacan*, *PHRI*, *SP Calatagan*, Solar Philippines Tarlac Corporation ("*Solar Philippines Tarlac*"), *Greenergy* and *GSEI*.

Power revenues for the year ended December 31, 2025 was at ₱485,547 million, reflecting a 6% increase from ₱456,918 million last year. This was primarily driven by higher pass-through generation and transmission charges, stronger revenue contributions from the reserve market and increased sales volume from the *RES* business.

MERALCO's average retail rate increased by 12% to ₱11.81 per *kWh* as of end-December 2025 from ₱10.54 per *kWh* in 2024.

Generation charge, which accounted for 64% of the total retail rate of *MERALCO*, increased by 15%, mainly due to higher fuel costs of the gas plants dispatched. The generation charge in 2025 also included contract price adjustments for South Premiere Power Corp. ("*SPPC"*) and Sual Power, Inc. ("*SPI"*) to recover additional fuel costs, as well as the recovery of previously deferred fuel-related charges of the First Gas Sta. Rita and San Lorenzo plants, all of which were approved by the *ERC*. The combined impact of these items amounted to ₱0.22 per *kWh*.

Transmission charge, representing 8% of the average retail rate, increased by 31%, primarily with the higher ancillary service charges arising from additional reserve capacity sourced by the National Grid Corporation of the Philippines ("*NGCP"*) from the reserve market. Ancillary service charges billed by *NGCP* for the period February to April 2025 also included previously deferred reserve market charges, the collection of which had been suspended by the *ERC* in March 2024. In addition, starting July 2025, the *ERC* approved the *NGCP's* higher Maximum Annual Revenue ("*MAR"*) and billing of under-recoveries for the period from 2016 to 2022.

MERALCO's actual average distribution charge in 2025 was 8% lower compared with 2024, mainly due to the implementation of the following *ERC*-approved refunds of (i) the Regulatory Reset Fee starting February 2025; and (ii) the difference between the Actual Weighted Average Tariff ("*AWAT"*) and the approved lapsed period tariff for the period July 2022 to December 2024 beginning April 2025. The distribution charge accounted for 12% of *MERALCO*'s average retail rate in 2025.

The following summarizes the customer count of the electricity distribution business as at December 31, 2025 and 2024 and the corresponding electric consumption per customer class for the years ended December 31, 2025 and 2024:

	No. of Customers		Electricity Sales		% Change	
	(in thousands)		*(in GWh)*		No. of	Electricity
Customer Class	**2025**	**2024**	**2025**	**2024**	**Customers**	**Sales**
Residential	7,598	7,432	19,060	19,455	2	(2)
Commercial	607	595	20,326	20,406	2	–
Industrial	11	11	14,465	14,318	–	1
Streetlights	5	5	146	146	–	–
Total	**8,221**	**8,043**	**53,997**	**54,325**	**2**	(1)

Consolidated distribution utility energy sales volumes for the year ended December 31, 2025 were lower at 53,997 GWh, compared with 54,325 GWh in 2024. *MERALCO* volumes declined by 0.7%, reflecting weaker organic demand due to extreme weather variability, increased rooftop solar installations, and a general economic slowdown. In contrast, Clark Electric registered 3% growth while Shin Clark recorded an 18% increase, contributing approximately 20 GWh and 0.7 GWh, respectively, to year-on-year sales.

Commercial volumes, which continued to account for the largest share of the *MERALCO* sales mix at 38%, reached 20,326 GWh, slightly lower than 20,406 GWh in 2024. Demand was supported by continued retail expansion of convenience stores and wholesale supermarkets, as well as consumption from quick service restaurants and cafés, and school facility upgrades. These gains were, however, insufficient to fully offset softer demand in other commercial segments.

Residential volumes, representing 35% of total sales, declined to 19,060 GWh from 19,455 GWh in 2024. While the segment registered growth during the first four (4) months of 2025, volume began to taper off in May as temperatures cooled. Lower household demand for cooling appliances, above-normal typhoon activity, weak La Niña conditions, and increased own-use rooftop installations weighed on consumption. New service energizations partially mitigated the combined impact of adverse weather conditions and softer demand.

Industrial sales, which accounted for 27% of total volumes, increased by 1% to 14,465 GWh from 14,318 GWh in the prior year. The segment remained relatively resilient, supported by stable demand from the semiconductor and construction-related sectors. These gains offset headwinds arising from operational decentralization and supply chain disruptions in the food and beverage sector, as well as slower demand from key customers in the plastics segment and embedded generation users.

At the end of 2025, the consolidated distribution utility customer base reached 8.2 million, 2% more than last year's count.

MGen delivered a total of 27,289 GWh of energy in 2025, 78% higher than in 2024, primarily driven by additional capacity from Chromite Holdings. Meanwhile, the RES business recorded combined energy sales of 7,510 GWh in 2025, up by 11% year-on-year, supported by continued customer acquisitions.

Other Services

Non-electric revenues are from (i) fees billed by *MERALCO* and *Clark Electric* for foreign attachments to distribution poles; (ii) space rental income; and (iii) revenues of subsidiaries not engaged in the power business. These non-power subsidiaries generate revenues from third-party customers through the following activities: (a) *MIESCOR Group - EPC* contracts; operations and maintenance services for transmission and

telecommunications facilities; (b) *MServ* - supply and installation of powerhouse, load side equipment, and provision of energy efficiency solutions; (c) *CIS Group* - payment collection services for corporate and government billers, spot billing volumes, remittances and other fee-based transactions; (d) *Radius* - data connectivity and internet services; and (e) *Movem* - sale of electric vehicles to enterprises supporting electric vehicle expansion, and from the provision of e-shuttle services.

Revenue of other services increased by 13% from ₱18,767 million to ₱21,190 million, mainly driven by higher revenues generated by *MIESCOR* and *Bayad*. The increase was partially offset by the deconsolidation of *MIDC* at the end of September 2024.

COSTS AND EXPENSES

Consolidated costs and expenses for the year ended December 31, 2025, amounted to ₱448,852 million, higher by ₱23,406 million compared with ₱425,446 million in 2024. The following table shows the breakdown of consolidated costs and expenses by business segment:

	2025		2024		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
			(Amounts in millions)			
Power	₱438,263	98	₱415,527	98	₱22,736	5
Other services	18,604	4	15,118	3	3,486	23
Inter-segment transactions	(8,015)	(2)	(5,199)	(1)	(2,816)	54
Total	**₱448,852**	**100**	**₱425,446**	**100**	**₱23,406**	6

Power

Costs and expenses of the power segment for the year ended December 31, 2025 amounted to ₱438,263 million, higher by ₱22,736 million compared with ₱415,527 million in 2024. The details of costs and expenses are summarized in the following table:

	2025		2024		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
			(Amounts in millions)			
Purchased power	₱376,977	86	₱346,239	83	₱30,738	9
Salaries, wages and employee benefits	16,881	4	14,604	4	2,277	16
Depreciation and amortization	16,064	4	15,401	4	663	4
Contracted services	11,243	2	10,072	2	1,171	12
Coal and fuel	9,022	2	11,705	3	(2,683)	(23)
Others	8,076	2	17,506	4	(9,430)	(54)
Total	**₱438,263**	**100**	**₱415,527**	**100**	**₱22,736**	5

Purchased power cost ("*PPC*") increased by 9% to ₱376,977 million from ₱346,239 million, consistent with the increase in pass-through revenues largely from higher generation and transmission charges.

Salaries, wages and employee benefits expense increased with the expansion of operations within the power generation requiring higher manpower. The increase also reflects annual merit adjustments and higher employee retirement benefit costs, driven by changes in the discount rate assumptions used in measuring defined benefit obligations.

Contracted services increased due to intensified maintenance work on *DU* facilities, as well as continued investments in IT systems and software.

Coal and fuel costs, which are primarily used by thermal plants of *GPBC* and its subsidiaries, declined by 23% for the year ended December 31, 2025, largely due to lower market prices.

Other expenses consist of business taxes and permits, provision for expected credit losses, costs of materials, transportation, net provision reversals following settlement of real property taxes and reassessment of previously recognized provisions and other corporate expenses.

Other Services

Costs and expenses of other services business segment for the year ended December 31, 2025 amounted to ₱18,604 million, 23% higher compared with ₱15,118 million in 2024.

	2025		2024		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Contracted services	₱5,722	31	₱3,379	22	₱2,343	69
Salaries, wages and employee benefits	4,840	26	4,798	32	42	1
Provision for impairment losses	1,200	6	–	–	1,200	100
Depreciation and amortization	983	5	2,132	14	(1,149)	(54)
Others	5,859	31	4,809	32	1,050	22
Total	**₱18,604**	**100**	**₱15,118**	**100**	**₱3,486**	**23**

The increase in cost and expenses of the other services business segment reflects the higher level of business activity for the year ended December 31, 2025 compared with the same period in 2024, consistent with the growth in related revenues.

Contracted services rose to ₱5,722 million from ₱3,379 million with the contracted services of *MIESCOR* Group, expansion of *MIESCOR*'s EPC, operations and maintenance activities and the corresponding rise in revenues.

Provision for impairment losses rose to ₱1,200 million following the recognition in 2025 by *Radius* of an impairment loss totaling ₱1,220 million on network assets deployed to support its RED Fiber consumer business due to under-utilization.

Depreciation and amortization expenses decreased by 54% to ₱983 million from ₱2,132 million with the deconsolidation of *MIDC* since October 2024. Total depreciation expense attributable to *MIDC* for the nine months ended September 30, 2024 amounted to ₱703 million.

OTHER INCOME (EXPENSES)

The following shows the segment other income, net of expenses:

			Increase/Decrease	
	2025	**2024**	**Amount**	**%**
	(Amounts in millions)			
Power	₱16,457	₱11,118	₱5,339	48
Other services	195	(454)	649	(143)
Intersegment transaction	(1,533)	1,104	(2,637)	(239)
Total	**₱15,119**	**₱11,768**	**₱3,351**	**28**

Other income, net of expenses, for the year ended December 31, 2025 increased by ₱3,351 million, primarily due to higher share in net earnings of associates and joint ventures. This growth was partially offset by increased interest and financial charges resulting from additional loan drawdowns during the year.

Power

Other income (expenses) of power segment consists of:

			Increase/Decrease	
	2025	**2024**	**Amount**	**%**
	(Amounts in millions)			
Equity in net earnings of associates and joint ventures	₱16,776	₱10,307	₱6,469	63
Interest and other financial charges	(8,806)	(4,543)	(4,263)	94
Interest and other financial income	4,408	3,674	734	20
Foreign exchange gains	36	178	(142)	(80)
Others	4,043	1,502	2,541	169
Total	**₱16,457**	**₱11,118**	**₱5,339**	48

The higher share in net earnings of associates and joint ventures was primarily driven by the acquisition of operating entities of *Chromite Holdings* on January 27, 2025. As a result, total equity in net earnings increased to ₱16.8 billion from ₱10.3 billion last year.

Interest and other financial charges increased by ₱4,263 million, primarily due to additional loan drawdowns in 2025 including the ₱75 billion loan availed in January 2025.

For the year ended December 31, 2025, the *MERALCO Group* recorded foreign exchange gains arising from the depreciation of Philippine peso against the U.S. dollar compared with December 31, 2024. The exchange rate of U.S. dollar is ₱58.79 as at December 31, 2025 compared with ₱57.85 as at December 31, 2024 (₱55.37 as at December 31, 2023).

NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The following table shows the breakdown of net income attributable to equity holders of the parent by business segment:

	2025		2024		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Power	₱50,847	99	₱44,673	97	₱6,174	14
Other services	(5)	–	1,797	4	(1,802)	(100)
Inter-segment transactions	288	1	(611)	(1)	899	(147)
Total	**₱51,130**	**100**	**₱45,859**	**100**	**₱5,271**	11

Net income attributable to equity holders of the parent increased by ₱5,271 million, primarily due to steady performance of the core distribution business, increased contribution from the power generation segment, reflecting operational stability, asset efficiency, and strategic participation in co-optimized market bidding for both energy and ancillary services in the Visayas grid. Power generation delivered 78% higher energy driven by the acquisition of liquefied natural gas assets, improved availability of thermal plants in the Philippines and gas plants in Singapore, and higher revenues from the reserve market.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2025	December 31, 2024	Increase (Decrease) Amount	Increase (Decrease) %
	(Amounts in millions)			
ASSETS				
Noncurrent Assets				
Utility plant, generation plant and others	**₱378,232**	₱288,501	₱89,731	31
Investments in associates and interests in joint ventures	**140,440**	47,513	92,927	196
Investment properties	**1,483**	1,487	(4)	-
Intangible assets	**40,658**	41,559	(901)	(2)
Deferred tax assets - net	**25,706**	26,382	(676)	(3)
Other noncurrent assets	**24,136**	32,900	(8,764)	(27)
Total Noncurrent Assets	**610,655**	438,342	172,313	39
Current Assets				
Cash and cash equivalents	**109,317**	84,480	24,837	29
Trade and other receivables	**76,726**	64,697	12,029	19
Inventories	**10,983**	11,422	(439)	(4)
Oher current assets	**16,198**	19,017	(2,819)	(15)
Total Current Assets	**213,224**	179,616	33,608	19
Total Assets	**₱823,879**	₱617,958	₱205,921	33
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent	**₱173,137**	₱144,599	₱28,538	20
Non-controlling interests	**50,387**	41,283	9,104	22
Total Equity	**223,524**	185,882	37,642	20
LIABILITIES				
Noncurrent Liabilities				
Interest-bearing long-term financial liabilities - net of current portion	**186,531**	54,797	131,734	240
Customers' deposits - net of current portion	**39,206**	33,274	5,932	18
Long-term employee benefits	**13,565**	16,263	(2,698)	(17)
Provisions	**12,335**	9,855	2,480	25
Refundable service extension costs - net of current portion	**3,371**	3,753	(382)	(10)
Deferred tax liabilities - net	**8,432**	8,769	(337)	(4)
Other noncurrent liabilities	**84,865**	68,991	15,874	23
Total Noncurrent Liabilities	**348,305**	195,702	152,603	78

	December 31, 2025	December 31, 2024	Increase (Decrease)	
			Amount	%
	(Amounts in millions)			
Current Liabilities				
Notes payable	**36,367**	34,287	2,080	6
Trade payables and other current liabilities	**199,620**	191,472	8,148	4
Customers' refund	**2,851**	2,853	(2)	-
Income tax payable	**1,764**	2,070	(306)	(15)
Current portion of long-term employee benefits	**4,300**	-	4,300	-
Current portion of interest-bearing long-term financial liabilities	**7,148**	5,692	1,456	26
Total Current Liabilities	**252,050**	236,374	15,676	7
Total Liabilities	**600,355**	432,076	168,279	39
Total Liabilities and Equity	**₱823,879**	₱617,958	₱205,921	33

CHANGES IN FINANCIAL POSITION

Utility Plant, Generation Plant and Others

The ₱89,731 million increase in utility plant, generation plant and others reflects the costs of completed and on-going construction of electric distribution-related facilities, upgrade and major rehabilitation of existing electrical facilities and IT related assets, most of which represents regulated capital expenditures by *ERC*'s definition, and development of power plant projects, totaling ₱106,650 million. This was offset by depreciation and amortization of ₱15,566 million.

Investments in Associates and Interests in Joint Ventures

Investments in associates and interest in joint ventures increased due to (a) the recognition of ₱85.4 billion additional equity investments mainly in *Chromite Holdings,* which acquired 67% stake in two gas-fired power plants owned by San Miguel Global Power Holdings Corp., Ilijan Primeline Industrial Estate Corp. and the *LNG* import and regasification terminal owned by Linseed Field Corporation on January 27, 2025, and (b) recognition of equity in net earnings for the year of ₱16,731 million. The increase was offset by dividends declared by associates and joint ventures totaling to ₱9,181 million.

Other Noncurrent Assets

The decrease was due to the redemption of certain *FVOCI* financial assets and lower unbilled receivables with the recognition of net over recoveries of pass-through charges for this year.

Trade and Other Receivables

Trade and other receivables increased mainly driven by higher retail rate in December 2025 compared with December 2024 due to higher generation and transmission charges. Other receivables also include subscription receivable from Actis Rubyred (Philippines) Holdings, Inc. ("*Actis*") amounting to ₱12.1 billion in relation to its investment in *MTerra Solar*.

Other Current Assets

The decrease in this account resulted from the redemption of financial assets at amortized cost.

Interest-bearing debt

Consolidated interest-bearing debts totaled ₱230 billion, which includes ₱117.7 billion in subsidiary-level borrowings. In January 2025, *MERALCO* utilized its ₱75 billion credit facility with major banks to finance investments and other strategic initiatives. In 2025, *MTerra Solar* secured project financing amounting to ₱68.6 billion, of which ₱18 billion was allocated for the repayment of a bridge loan.

Long-term employee benefits

The increase in this account (both current and noncurrent portion) was due to the long-term employee benefits expense recognized during the year.

Other Noncurrent Liabilities

Other noncurrent liabilities pertain to liabilities for customer-funded assets, generation and transmission charge over recoveries resulting from the lag in the billings and recovery from customers, and estimated liabilities for regulatory and tax matters, among others. The increase in this account was due to additional obligations recognized during the year.

2024 compared with 2023

REVENUES

The composition of *MERALCO Group*'s consolidated revenues by business segment is shown below.

	2024		2023		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Power	₱456,918	97	₱430,181	97	₱26,737	6
Other services	18,767	4	17,848	4	919	5
Inter-segment transactions	(5,323)	(1)	(4,417)	(1)	(906)	21
Total	**₱470,362**	**100**	**₱443,612**	**100**	**₱26,750**	**6**

Consolidated revenues rose by 6% to ₱470,362 million from ₱443,612 million mainly due to higher volumes sold by the distribution utility and increase in pass through transmission charge. The increase was mitigated by a) lower pass-through generation average rates resulting from lower *WESM* prices and lesser emergency *PSA*, and b) lower energy fees with the decline in coal and fuel prices.

Other services revenue increased by 5% from ₱17,848 million to ₱18,767 million due to (1) transaction volume of *Bayad*; (2) project accomplishments of *MServ*; and (3) increase in completed communication towers to 1,829 as at September 2024 from 1,251 towers as at December 2023 of *MIDC*, offset by lower revenues from third party customers of *MIESCOR*. In September 2024, *MIESCOR* entered

into a Multi-party Share Swap Agreement which resulted in a reduction of *MIESCOR*'s equity interest in MIDC from 51% to 26.56%. The transaction resulted in the deconsolidation of *MIDC* on September 30, 2024.

Power

Revenues of power segment represent those from electricity distribution, *RES* and power generation businesses. *MERALCO*, *Clark Electric* and *Shin Clark Power* distribute electricity to captive industrial, commercial and residential customers while *MPower*, *Cogent Energy*, *Vantage, MeridianX, Phoenix Power* and *GESC* supply electricity to their respective contestable customers. Revenues of the power generation companies of *GBPC, First Bulacan*, *PHRI*, *SP Calatagan* and *Solar Philippines Tarlac* are included in the power segment.

Revenues of the power segment in 2024 was at ₱456,918 million, ₱26,737 million or 6% higher compared with 2023 driven by higher distributed volume and higher pass-through transmission charge.

The generation charge, which accounted for 63% of the total retail rate, went down by almost 6% with lower Wholesale Electricity Spot Market ("*WESM*") prices as the Luzon supply situation improved, international coal prices declined, and generation over-recovery adjustments implemented based on the Energy Regulatory Commission's (*"ERC*") Resolution on Automatic Cost Adjustments and True-Up mechanisms of Pass-through Charges. These factors more than offset the impact of weakening of the peso to an average of ₱57.27 per US dollar in 2024 versus ₱55.63 in 2023; higher Malampaya natural gas prices at $10.73 per *GJ* (versus $9.60 per *GJ* in 2023); and costs related to the use of *LNG* by the Sta. Rita and San Lorenzo power plants. The average Malampaya natural gas price increased on account of implementation of the new Gas Sale and Purchase Agreements ("*GSPAs*") as approved by the *ERC* on a full pass-through basis.

Transmission charge, comprising 7% of the retail rate, went up by 14% due to higher ancillary service charges from additional capacity sourced by the National Grid Corporation of the Philippines ("*NGCP*") from new Ancillary Service Procurement Agreements ("*ASPAs*") and the Reserve Market.

MERALCO's average retail rate was flat at ₱10.54 per *kWh* in 2024 from ₱10.55 per *kWh* in 2023 due to lower generation charge that offset increases in transmission and other charges.

The following summarizes the customer count of the electricity distribution business as at December 31, 2024, and 2023 and the corresponding electric consumption per customer class for the years ended December 31, 2024 and 2023:

	No. of Customers		**Electricity Sales**		**% Change**	
	(in thousands)		*(in GWh)*		**No. of**	**Electricity**
Customer Class	**2024**	**2023**	**2024**	**2023**	**Customers**	**Sales**
Residential	7,432	7,231	19,455	17,781	3	9
Commercial	595	581	20,406	19,005	2	7
Industrial	11	11	14,318	14,113	–	1
Streetlights	5	5	146	145	–	1
Total	**8,043**	**7,828**	**54,325**	**51,044**	**3**	**6**

Consolidated distribution utility energy sales volumes recorded a 6% growth ending 2024 with a 54,325 *GWh* from 51,044 *GWh* in 2023. Volumes attributable to *MERALCO* and *Clark Electric* increased by 6% and 4%, respectively, while *Shin Clark Power* brought in additional 4 *GWh.*

The Commercial segment had the biggest share of 38% in the energy sales mix, while residential and industrial accounted for 36% and 26%, respectively.

The Commercial segment closed the year 2024 with 20,406 *GWh* of energy sold, 7% more than 19,005 *GWh* in 2023, buoyed by business expansion activities such as redevelopment of mall spaces, new store openings, and surge in office occupancy rates. Hotels, educational institutions, and restaurants also showed an upswing in demand with more in-person activities and tourist arrivals, coupled with higher demand for air-conditioning.

The Residential segment grew 9% to 19,455 *GWh* from 17,781 *GWh* in 2023 as the strong El Niño phenomenon, which raised annual average temperatures by 0.45°C, triggered prolonged usage of cooling devices at home. Consistent energization of horizontal developments located in greater Metro Manila and resilient organic consumption further boosted residential sales.

On the other hand, industrial segment's sales volume improved marginally by 1% to 14,318 *GWh* from 14,113 *GWh* as the slight growth in top contributor semiconductor industry was not enough to offset the negative impact of operational disruptions and unfavorable market conditions in the steel industry and slowdown in dispatch from embedded generators. Higher production demand drove growth in sector pillars non-metallic, plastics, and food and beverage.

Meanwhile, consolidated customer count surpassed a historic 8-million mark, ending the year 2024 with 8.04 million customers, 3% higher than the 7.83 million customers recorded in 2023.

Other Services

Non-electric revenues consist mainly of businesses generated from (i) foreign attachments to the *MERALCO* and *Clark Electric* poles; (ii) space rentals; and (iii) revenues of subsidiaries not engaged in the power business, which include businesses generated from third party customers by: (a) *MIESCOR Group* from its *EPC* contracts; operations and maintenance works involving transmission and telecommunications lines; and *MIDC* for leasing of communication towers (until September 30, 2024, with deconsolidation of *MIDC* beginning October 1, 2024); (b) *MServ* for the supply and installation of powerhouse, load side equipment, and energy efficiency services; (c) *CIS Group* handling payment collections for corporate and government billers, spot billing volumes, remittances and other fee-based transactions; (d) *Radius* with its data and internet services; and (e) *Movem* with its sales of e-vehicles to electric vehicles expansion enterprises and e-shuttle services.

Revenue of other services is higher in 2024 compared with 2023 due to (1) higher transaction volume of *Bayad*; (2) higher project accomplishments of *MServ*; and (3) increase in completed communication towers to 1,829 as at September 2024 from 1,251 towers as at December 2023 of *MIDC*, offset by lower revenues from third party customers of *MIESCOR*. In September 2024, *MIESCOR* entered into a Multi-party Share Swap Agreement which resulted in a reduction of *MIESCOR*'s equity interest in *MIDC* from 51% to 26.56%. The transaction resulted in deconsolidation of *MIDC* on September 30, 2024.

COSTS AND EXPENSES

Consolidated costs and expenses for the year ended December 31, 2024, amounted to ₱425,446 million, higher by ₱18,167 million compared with ₱407,279 million in 2023. The following table shows the breakdown of consolidated costs and expenses by business segment:

	2024		2023		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Power	₱415,527	98	₱397,692	98	₱17,835	4
Other services	15,118	3	14,328	3	790	6
Inter-segment transactions	(5,199)	(1)	(4,741)	(1)	(458)	10
Total	**₱425,446**	**100**	**₱407,279**	**100**	**₱18,167**	4

Power

Costs and expenses of power segment for the year ended December 31, 2024 amounted to ₱415,527 million, higher by ₱17,835 million compared with ₱397,692 million in 2023. The details of costs and expenses are summarized in the following table:

	2024		2023		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Purchased power	₱346,239	83	₱328,082	83	₱18,157	6
Depreciation and amortization	15,401	4	14,624	4	777	5
Salaries, wages and employee benefits	14,604	4	13,057	3	1,547	12
Coal and fuel	11,705	3	16,133	4	(4,428)	(27)
Contracted services	10,072	2	9,442	2	630	7
Others	17,506	4	16,354	4	1,152	7
Total	**₱415,527**	**100**	**₱397,692**	**100**	**₱17,835**	4

* Cost and expenses for the year ended December 31, 2024 included those of *SPNEC* following *MGreen*'s acquisition of a controlling stake in December 2023.

Purchased power cost ("*PPC*") increased by 6% to ₱346,239 million from ₱328,082 million consistent with the movement in pass-through revenues which increased due to higher volume purchased as well as higher transmission charge, partly offset by lower average generation cost per *kWh*. The average Malampaya natural gas price increased to US$ 10.73 per *GJ* in 2024 from US$ 9.60 per *GJ* in 2023 due to higher oil price indices. Average Wholesale Electricity Spot Market ("*WESM*") prices, on the other hand, went down mainly due to the availability of Ilijan Natural Gas Plant, which was on shutdown from June 2022 to May 2023, following the end of its cooperation period with the suppliers of Malampaya gas.

Higher depreciation and amortization was due to completed projects during 2024 and consolidation of *SPNEC* in December 2023.

Salaries, wages and employee benefits expense increased due to employee annual merits and higher employee retirement benefits driven by adjustment in discount rate assumption used in determining the defined benefit obligation.

Coal and fuel are costs incurred by the power generation business, mainly *GPBC* and its subsidiaries. Coal and fuel costs decreased by 27% due to lower coal and fuel prices and scheduled outages of certain power plants.

Contracted services increased due to intensified maintenance work on *DU* facilities, higher cost of software maintenance and subscriptions and inclusion of expenses of *SPNEC.*

Other expenses consist of business taxes and permits, provision for expected credit losses, costs of materials, transportation, and other corporate expenses.

Other Services

Costs and expenses of other services business segment for the year ended December 31, 2024 amounted to ₱15,118 million, 6% higher compared with ₱14,328 million in 2023.

	2024		2023		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Salaries, wages and employee benefits	₱4,798	32	₱4,838	34	(₱40)	(1)
Contracted services	3,379	22	2,765	19	614	22
Depreciation and amortization	2,132	14	2,001	14	131	7
Others	4,809	32	4,724	33	85	2
Total	**₱15,118**	**100**	**₱14,328**	**100**	**₱790**	**6**

The increase in cost and expenses of other services business segment reflects the costs of increasing business activities for the year ended December 31, 2024 compared with 2023, consistent with the increase in related revenues. These costs pertain to (i) depreciation and amortization expenses from acquired/completed *SLB* and *BTS* towers of *MIDC* and (ii) project costs of *MIESCOR* group.

OTHER INCOME (EXPENSES)

The following shows the breakdown of other income, net of expenses, by business segment:

			Increase/Decrease	
	2024	2023	Amount	%
	(Amounts in millions)			
Power	₱11,118	₱10,973	₱145	1
Other services	(454)	(601)	147	(24)
Intersegment transaction	1,104	84	1,020	1,214
Total	**₱11,768**	**₱10,456**	**₱1,312**	**13**

Other income, net of expenses for the year ended December 31, 2024 increased by ₱1,312 million mainly due to higher yield from financial investments and foreign exchange gains with the depreciation of Philippine peso against the U.S. dollar in 2024, offset by lower equity in net earnings of associates and joint ventures.

Power

Other income (expenses) of power segment consists of:

			Increase/Decrease	
	2024	2023	Amount	%
	(Amounts in millions)			
Equity in net earnings of associates and joint ventures	₱10,307	₱11,523	(₱1,216)	(11)
Interest and other financial charges	(4,543)	(4,443)	(100)	2
Interest and other financial income	3,674	3,168	506	16
Foreign exchange gains (losses)	178	(55)	233	(424)
Others	1,502	780	722	93
Total	**₱11,118**	**₱10,973**	**₱145**	1

Lower equity in net earnings of associates and joint ventures for the year ended December 31, 2024 compared with 2023 was driven by scheduled outages of *SBPL* and *PacificLight.*

Interest and other financial income increased by ₱506 million with higher interest rates of short-term placements compared with 2023.

The depreciation of Philippine peso against the U.S. dollar resulted in foreign exchange gains in 2024 versus foreign exchange losses in 2023. The exchange rate of U.S. dollar is ₱57.85 as at December 31, 2024 compared with ₱55.37 as at December 31, 2023.

NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The following shows the breakdown of net income attributable to equity holders of the parent for the years ended December 31, 2024, and 2023 by business segment:

	2024		2023		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Power	₱44,673	97	₱37,262	98	₱7,411	20
Other services	1,797	4	1,416	4	381	27
Inter-segment transactions	(611)	(1)	(655)	(2)	44	(7)
Total	**₱45,859**	**100**	**₱38,023**	**100**	**₱7,836**	21

Net income attributable to equity holders of the parent increased by ₱7,836 million due to (a) higher sales volume of the *DU* business in 2024 compared with 2023, owing to strong performance of commercial

and residential segments and recovery of industrial segment, (b) higher yields from fixed income placements, (c) higher contribution from the power generation segment due to its operational stability and efficiency of its operating assets and strategic participation in co-optimized market bidding for both energy and ancillary services in the Visayas grid and d) higher contribution of the *RES* business which continued to deliver competitive priced power to contestable customers.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2024	December 31, 2023 (As restated*)	Increase (Decrease)	
			Amount	%
	(Amounts in millions)			
ASSETS				
Noncurrent Assets				
Utility plant, generation plant and others	**₱288,501**	₱272,441	₱16,060	6
Investments in associates and interests in joint ventures	**47,513**	38,388	9,125	24
Investment properties	**1,487**	1,493	(6)	-
Intangible assets	**41,559**	53,634	(12,075)	(23)
Deferred tax assets – net	**26,382**	24,628	1,754	7
Financial and other noncurrent assets	**32,900**	35,228	(2,328)	(7)
Total Noncurrent Assets	**438,342**	425,812	12,530	3
Current Assets				
Cash and cash equivalents	**84,480**	82,789	1,691	2
Trade and other receivables	**64,697**	48,270	16,427	34
Inventories	**11,422**	11,130	292	3
Financial and other current assets	**19,017**	20,433	(1,416)	(7)
Total Current Assets	**179,616**	162,622	16,994	10
Total Assets	**₱617,958**	₱588,434	₱29,524	5
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent	**₱144,599**	₱122,295	₱22,304	18
Non-controlling interests	**41,283**	45,808	(4,525)	(10)
Total Equity	**185,882**	168,103	17,779	11
LIABILITIES				
Noncurrent Liabilities				
Interest-bearing long-term financial liabilities - net of current portion	**54,797**	62,272	(7,475)	(12)
Customers' deposits - net of current portion	**33,274**	34,128	(854)	(3)
Long-term employee benefits	**16,263**	10,263	6,000	58
Provisions	**9,855**	11,350	(1,495)	(13)
Refundable service extension costs - net of current portion	**3,753**	4,051	(298)	(7)
Deferred tax liabilities - net	**8,769**	9,845	(1,076)	(11)
Other noncurrent liabilities	**68,991**	54,698	14,293	26
Total Noncurrent Liabilities	**195,702**	186,607	9,095	5

	December 31, 2024	December 31, 2023 (As restated*)	Increase (Decrease)	
			Amount	%
	(Amounts in millions)			
Current Liabilities				
Notes payable	**34,287**	27,583	6,704	24
Trade payables and other current liabilities	**191,472**	192,154	(682)	-
Customers' refund	**2,853**	2,846	7	-
Income tax payable	**2,070**	1,550	520	34
Current portion of interest-bearing long-term financial liabilities	**5,692**	9,591	(3,899)	(41)
Total Current Liabilities	**236,374**	233,724	2,650	1
Total Liabilities	**432,076**	420,331	11,745	3
Total Liabilities and Equity	**₱617,958**	₱588,434	₱29,524	5

**Restatement resulting from finalization of the fair value of the assets and liabilities of SPNEC.*
***In September 2024, MIESCOR entered into a Multi-party Share Swap Agreement which resulted in a reduction of MIESCOR's equity interest in MIDC from 51% to 26.56%. The transaction resulted in the deconsolidation of MIDC.*

CHANGES IN FINANCIAL POSITION

In September 2024, *MIESCOR* entered into a Multi-party Share Swap Agreement which resulted in a reduction of its equity interest in *MIDC* from 51% to 26.56%, and deconsolidation of *MIDC* and derecognition of its assets and liabilities in the consolidated statement of financial position.

Utility Plant, Generation Plant and Others

The ₱16,060 million increase in utility plant, generation plant and others reflects the costs of completed and on-going construction of electric distribution-related facilities, and upgrade and major rehabilitation of existing electrical facilities and IT related assets, most of which represents regulated capital expenditures by *ERC*'s definition, and development of power plant projects totaling ₱41,198 million. This was offset by depreciation and amortization of ₱15,542 million and the effect of deconsolidation of *MIDC* amounting to ₱8,076 million.

Investments in Associates and Interests in Joint Ventures

Investments in associates and interest in joint ventures increased due to recognition of (a) investment in Pylon Holdings Corporation (a joint venture between *MIDC* and PhilTower Consortium, Inc.) of ₱6,594 million arising from the multi-party swap agreement entered into by *MIESCOR* and (b) equity in net earnings for the period of ₱10,267 million. This was offset by dividends declared by associates and joint ventures totaling to ₱10,253 million.

Intangible Assets

The significant decrease in this account was due to the effect of deconsolidation of *MIDC* which resulted in the derecognition of intangible assets amounting to ₱15,104 million.

Financial and Other Noncurrent Assets

The decrease was due to the redemption of certain *FVOCI* financial assets, offset by recognition of under recoveries of pass-through charges resulting from increasing generation and transmission charges in 2024.

Trade and Other Receivables

Trade and other receivables increased mainly driven by higher retail rate and sales volume in December 2024 compared with December 2023.

Interest-bearing long-term financial liabilities

The decrease in this account was due to settlement of maturing debt of ₱8,133 million and effect of deconsolidation of *MIDC* amounting to ₱9,749 million, offset by loan availments of ₱6,523 million.

Long-term employee benefits

The increase in this account was due to the long-term employee benefits expense recognized in 2024.

Notes payable

The increase in this account represents loan availments of ₱7,742 million, offset by settlement amounting to ₱1,038 million in 2024.

Other Noncurrent Liabilities

Other noncurrent liabilities pertain to liabilities for customer-funded assets and estimated liabilities for regulatory and tax related matters, among others.

LIQUIDITY AND CAPITAL RESOURCES

The following summarize the cash flows for the years ended December 31, 2025, 2024, and 2023 as well as the capitalization and other selected consolidated financial data as at December 31, 2025, and December 31, 2024:

	For the Years Ended December 31		
	2025	2024	2023
	(Amounts in millions)		
Cash Flows			
Net cash provided by operating activities	₱72,077	₱42,010	₱57,974
Net cash provided by (used in) investing activities	(159,152)	(18,763)	1,569
Net cash provided by (used in) financing activities	112,520	(21,591)	(32,605)
Net increase in cash and cash equivalents	25,445	1,656	26,938
Capital Expenditures	105,112	44,705	29,421

	2025	2024
	(Amounts in millions)	
Capitalization		
Interest-bearing long-term financial liabilities		
Current	₱7,148	₱5,692
Noncurrent	186,531	54,797
Notes payable	36,367	34,287
Equity attributable to equity holders of the parent company	173,137	144,599
Other Selected Financial Data		
Total assets	823,879	617,958
Utility plant, generation plant and others	378,232	288,501
Cash and cash equivalents	109,317	84,480

Debt Financing

The details of *MERALCO*'s interest-bearing financial liabilities are discussed in Notes 17 and 27 to the consolidated financial statements.

The power plant complex of *PHRI*, *First Bulacan*, *Greenergy*, *SP Calatagan,* and *GSEI,* the land of *TNI* and the solar power plant undergoing development of *MTerra Solar*, with aggregate carrying value of ₱95,222 million as at December 31, 2025, are pledged as securities for the project finance debt.

Under their respective loan agreements, *MERALCO*'s subsidiaries are required to meet certain pre-agreed financial ratios at all times until full payment of the obligations. There are also restrictions in terms of payment of dividends, distributions or other returns to its stockholders, granting additional liens on its

assets, disposal of assets, entering into mergers or similar transactions or permitting a transfer of its interest and incurring additional indebtedness, among others. *GBPC* is prohibited from entering into a merger or consolidation with another corporation, unless *GBPC* is the surviving entity.

As at December 31, 2025, the *MERALCO Group* is in compliance with all of the covenants of the loan agreements.

Equity Financing

As at December 31, 2025, *MERALCO*'s capital stock consists of (*amounts in millions except par value and number of shares*):

Common stock - ₱10 par value	
Authorized - 1,250,000,000 shares	₱12,500
Issued - 1,127,271,117 shares	11,273
Treasury - 178,608 shares	(13)

The balance of previously issued preferred shares which have been called for redemption amounted to ₱1,459 million and ₱1,461 million as at December 31, 2025 and 2024, respectively. Total unclaimed dividends amounted to ₱248 million as at December 31, 2025 and 2024. Interest is no longer accrued from the time such preferred shares were called for redemption.

Treasury shares represent the subscribed shares and the related rights of employees who have opted to withdraw from the Employee Stock Purchase Plan (*ESPP*') in accordance with the provisions of the *ESPP* and which *MERALCO* purchased.

In September 2024, 6,196 unpaid shares awarded under the Employee Stock Purchase Plan ("*ESPP*") were approved by the *SEC* for conversion to treasury shares. All of the treasury shares pertain to cancelled shares subscribed under the *ESPP*.

The following are the cash dividends declared on common shares for the years ended December 31, 2025, 2024 and 2023:

Declaration Date	Record Date	Payment Date	Dividend Per Share	Amount
				(In millions)
July 28, 2025	August 27, 2025	September 22, 2025	₱11.33	₱12,768
February 24, 2025	March 12, 2025	April 4, 2025	13.74	15,482
July 29, 2024	August 28, 2024	September 23, 2024	10.30	11,603
February 26, 2024	March 27, 2024	April 24, 2024	11.24	12,663
July 31, 2023	August 30, 2023	September 14, 2023	8.52	9,602
February 27, 2023	March 29, 2023	April 26, 2023	11.03	12,430

On February 25, 2026, the *BOD* of *MERALCO* approved the declaration of cash dividends of ₱16.672 a share to all shareholders of record as at March 26, 2026, payable on April 20, 2026.

The *BOD*-approved dividend policy of *MERALCO* consists of (i) regular cash dividends equivalent to 50% of *CCNI* for the year, and (ii) special dividend determined on a "look-back" basis. Declaration and payment of special dividends are dependent on the availability of unrestricted retained earnings and availability of free cash. The declaration, record and payment dates shall be consistent with the guidelines and regulations of the Philippine *SEC*.

RISK FACTORS

The significant risk factors affecting *MERALCO*'s financial position and results of operations are:

- Regulatory decisions affecting the distribution utilities' tariff
- Recovery of development investments, new businesses and significant capital expenditures
- Sales volume and Philippine economic conditions
- Power supply and demand management
- Competition and market

Regulatory Decisions Affecting the Distribution Utilities' Tariff

MERALCO is exposed to material regulatory uncertainty arising from timing, scope, and outcome of its next rate rebasing and related rate-setting processes. The operating results and financial condition *MERALCO*, *Clark Electric* and *Shin Clark Power* are significantly influenced by regulatory determination on the valuation of the regulatory asset base *("RAB")*, the allowable rate of return, and the level and timing of permitted cost recoveries.

Distribution rates billed by *MERALCO* and *Clark Electric* are subject to approval by the *ERC* and are designed to allow a reasonable return on invested capital. Their approved rate structures provide for the pass-through of purchased power costs based on approved *PSA*s, recovery of system loss ("*SL")* charges subject to an *ERC*-imposed annual cap, and the pass-through of applicable taxes and other allowable charges. *Shin Clark Power* is currently operating under *Return on Rate Base* ("*RORB*") framework with its *RORB r*ate approved by the *ERC* in an Order dated September 18, 2025.

Shin Clark Power is expected to transition to Performance-Based Regulations ("*PBR")* under the Rationalized Rules for Setting the Distribution Wheeling Rates ("*RRDWR"*) as a Group B entrant, with its first *RP* commencing in January 2027. *MERALCO,* together with three (3) other private distribution utilities ("*DU*s"), is classified as a Group A entrant to the *PBR*.

Under the PBR regime, distribution tariffs are set once every Regulatory Period ("*RP*") based on an approved rate-setting methodology that considers forecast operating and capital expenditures, as well as the regulated return on approved *RAB*, to ensure compliance with prescribed performance standards and service quality requirements. The *PBR* framework also incorporates incentives and penalty mechanisms that adjust revenues based on network and service performance outcomes. For *MERALCO*, the first regulatory period under *PBR* covers the period from July 1, 2026 to June 30, 2030 ("*1RP*").

Each *RP* consists of four (4) Regulatory Years ("*RY*s"), with each *RY* for *MERALCO* running from July 1 to June 30 of the following year. Any delay, modification, or adverse determination by the ERC in the approval of rates, regulatory parameters, or performance targets could materially affect *MERALCO*'s ability to recover its costs, earn its approved return, and achieve forecast financial results.

For the Lapsed Period, the *ERC* approved an average distribution rate of ₱1.3522 per *kWh*. *MERALCO* was authorized to continue implementing this rate until otherwise directed by the *ERC*, net of the Regulatory Reset Fees in the amount of ₱0.0023 per *kWh*, which the *ERC* ordered to be discontinued under *ERC* Case No. 2025-025 RC. There can be no assurance that future rate approvals, true-ups, or regulatory resets will be granted on a timely basis or under terms consistent with *MERALCO*'s expectations.

Regulatory Reset Costs

On December 17, 2024, in *ERC* Resolution No. 18, Series of 2024, the *ERC* also required *DU*s under *PBR* to refund the collected regulatory reset costs from July 2015 to October 2024, including interest. In the case of *MERALCO*, it was directed to refund the amount of ₱987.2 million, subject to further verification by the *ERC*. *MERALCO* implemented a one-time refund of ₱0.226 per *kWh* in its February 2025 billing, as a separate line item in its electricity bill to customers. In addition, *MERALCO* was also directed to no longer collect, as part of its distribution wheeling rate, the amount of ₱0.0023 per *kWh*, representing the regulatory reset expert costs. While *MERALCO* complied with the directives, in a letter dated January 17, 2025, *MERALCO* wrote the *ERC* to ask for the basis for the computations and basis for the refund. As at February 25, 2026, the *ERC* has yet to respond to *MERALCO*'s letter.

Distribution Rate True-Up ("DRTU") Applications

The *ERC*'s initial Orders for *DRTU* refunds totaling ₱48,247 million were implemented starting 2021 and have been fully refunded to the customers as of the May 2023 billing. This resulted in an excess refund of ₱862 million, which has been reported to the *ERC* in June 2023, including a proposed recovery mechanism. As at February 25, 2026, the *ERC* has not responded to *MERALCO*'s letter.

Several intervenors have filed petitions before the Court of Appeals ("*CA*") and the Supreme Court ("*SC*") questioning the decision approving the *DRTU* refund application. As at February 25, 2026, the petitions are pending before the *CA* and *SC*.

In compliance with the Order dated December 17, 2024, *MERALCO* filed an application for the confirmation of the true-up calculation of the *AWAT* for the period July 1, 2022 to December 31, 2024. The application also included *MERALCO*'s proposal to offset the recovery of the over refund implemented during the previous *DRTU* application. In an Order dated March 5, 2025, the *ERC* directed the refund of ₱19.9 billion, or an equivalent average refund rate of ₱0.1189 per *kWh* for all customer classes but excluded the over-refund from the previous *AWAT* refund implementation as this was still to be verified by the *ERC*. As at February 25, 2026, hearings at the *ERC* have been completed and *MERALCO* has filed its Formal Offer of Evidence.

Additionally, on September 25, 2025, *MERALCO* filed an application for the confirmation of the true-up calculation of the *AWAT* for the period January 1, 2025 to June 30, 2025. As at February 25, 2026, *MERALCO* is awaiting further action from the *ERC*.

Under *ERC* Resolution No. 23, Series of 2025, entitled, "A Resolution Directing All Private Distribution Utilities ("*PDU*s") to File Their Respective *AWAT* Applications for the Lapsed Period", the *ERC* resolved to adopt a confirmation and true-up process in determining the rates of the *PDU*s to address the lapsed period for their respective Entry Groups and defined the lapsed period for each Entry Group. The *ERC* then directed all *PDU*s to file an application for the confirmation of their *AWAT* as against their last approved rates, within sixty (60) calendar days from the effectivity of the Resolution. However, in *ERC*

Resolution No. 1, Series of 2026, the *ERC* clarified the timeline for filing of the *AWAT* and directed all *PDU*s to file, within one hundred twenty (120) days from the effectivity of the *AWAT* Resolution on November 22, 2025, or until March 22, 2026. As at February 25, 2026, *MERALCO* is set to file its application covering the period from July 1, 2025 to December 31, 2025 on or before the stated deadline.

Capital Expenditure ("CAPEX")

Absent the final rules governing the lapsed period from *RY* 2016 to *RY* 2025 rate-setting, *MERALCO* filed its applications for approval of authority to implement its *CAPEX* program for each of the *RY*s beginning July 1, 2015 until June 30, 2022. This is consistent with the provisions of Section 20(b) of Commonwealth Act No. 146, as amended, otherwise known as the Public Service Act.

Except with respect to partial approval by the *ERC* of the *RY* 2016 *CAPEX* amounting to ₱15,466 million and provisional authority granted by the *ERC* to implement certain projects for *RY* 2017 amounting to ₱8,758 million, all other applications remain pending with the *ERC*. As at February 25, 2026, *MERALCO* is awaiting the final resolution and approval of the *ERC*.

Pending *ERC*'s approval, *MERALCO* manifested several projects as "urgent" or "emergency in nature" and proceeded with the implementation of said *CAPEX*.

Regulatory Reset Process Application

MERALCO filed its reset application for the new 5*RP*, covering the period from *RY* 2026 to *RY* 2029, on February 7, 2025. As the first *RY* of this reset period lapsed, *MERALCO* filed an Omnibus Motion to: (a) withdraw the application; (b) allow *MERALCO* to re-file its 5*RP* Application to cover the period from *RY*2027 to *RY*2030; and (c) to consider *RY*2026 as lapsed period. In an Order dated January 30, 2026, the *ERC* issued an Order allowing the withdrawal of the Application and directed *MERALCO* to file its new regulatory reset application in accordance with the *RRDWR*.

In accordance with the *RRDWR*, on February 2, 2026, *MERALCO* filed its regulatory reset application for the *1RP*, covering the period from July 1, 2026 to June 30, 2030. In an Order dated February 6, 2026, the *ERC* set the case for initial hearings on March 3 and 10, 2026, respectively.

PBR Reset for Clark Electric

Similar to *MERALCO*, *Clark Electric* is subject to operational performance and service level requirements approved by the *ERC*.

On December 3, 2025, the ERC issued ERC Resolution No. 24, Series of 2025, adopting the RRDWR for PDUs under PBR. Pursuant thereto, Clark Electric was reclassified from Group D to Group B. Under the RRDWR, the first RY for Group B will commence on January 1, 2027 and end on December 31, 2027.

During its lapsed period, Clark Electric continued to bill its customers using the last approved MAP for RY 2015. In parallel, Clark Electric annually filed and manifested as urgent its CAPEX requirements with the ERC to enable the timely implementation of critical infrastructure projects. As at February 25, 2026, the

CAPEX applications covering RY 2015 to RY 2024 remain pending with the ERC while CAPEX application for RY 2025 to RY 2026 is still pending filing with the ERC.

Following the adoption of the RRDWR, Clark Electric is currently preparing its Application for the Approval of the Annual Revenue Requirement ("ARR") and the Performance Incentive Scheme ("PIS") for the first RY, including the approval of the Maximum Average Price ("MAP") for RY 2027, and the translation of the approved MAP into a distribution rate structure for its various customer classes, in accordance with the provisions of the RRDWR.

Recovery of Development Investments, New Businesses and Significant Capital Expenditures

MGen, through its subsidiaries and associates, has significant investments in the development and/construction of the following power plants:

- 3.5-GWp solar power plant with a 4,500-MWhr battery energy storage system of MTerra Solar
- 450 MWac solar plant in Bugallon, Pangasinan
- Hydrogen-ready Combined Cycle Gas Turbine facility in Jurong Island, Singapore
- 49-MW Battery Energy Storage System (BESS) project in Toledo, Cebu

MGreen closed an investment agreement with Vena Energy, for the development, construction and operation of the 450 MWac solar plant in Bugallon, Pangasinan through 3 Barracuda Energy Corporation. The project commenced its construction in the fourth quarter of 2024 and is expected to achieve commercial operation by first quarter of 2026.

MGen also has a combined 58% (direct and indirect interests) in PacificLight Power, which owns and operates a 2 x 400 MW combined cycle turbine power plant mainly fueled by LNG in Jurong Island, Singapore. On May 14, 2025, a 100 MW fast-start LNG plant is completed and commissioned to provide ancillary services to the Singapore grid under a 25-year Fast Start contract with the Energy Market Authority ("EMA").

On January 6, 2025, PacificLight Power was awarded the right to build, own and operate a hydrogen-ready Combined Cycle Gas Turbine ("CCGT") facility in Jurong Island by the EMA of Singapore. The project shall be the largest single H-class CCGT plant in Singapore, with the capacity of at least 600 MW. The plant is scheduled to begin commercial operations in January 2029.

If any of these ongoing developments and constructions are not executed as planned due to reasons or factors beyond *MERALCO*'s control, *MERALCO*'s results of operations and financial position could be adversely affected.

Sales Volume and Philippine Economic Conditions

Consolidated distribution utility energy sales volumes for the year ended December 31, 2025 were broadly flat at 53,997 GWh, compared with 54,325 GWh in 2024. *MERALCO* volumes declined by 0.7% reflecting softer organic demand amid extreme weather variability, increasing adoption of rooftop solar installations, and a general economic slowdown. In contrast, Clark Electric registered a 3% increase in sales volumes, while Shin Clark Power recorded an 18% year-on-year growth, contributing incremental volume of approximately 20 GWh and 0.7 GWh, respectively.

Commercial volumes, which continued to account for the largest share of the sales mix at 38%, reached 20,326 GWh, slightly lower than the 20,406 GWh recorded in 2024. Demand in this segment was supported by retail expansion in convenience stores and wholesale supermarkets, growth in quick service restaurants and cafés, and upgrades in school facilities, partly offset by overall moderation in commercial activity.

Residential sales volumes, representing 35% of total energy sales, declined to 19,060 GWh from 19,455 GWh in 2024. While the segment registered growth during the first four (4) months of 2025, volume began to soften from May onwards as temperatures normalized. Household consumption declined due to reduced demand for cooling devices, the impact of above-normal typhoon activity, weak La Niña conditions and increased self-generation from rooftop solar installations. New service energizations partially mitigated the combined effects of adverse weather conditions and softer underlying demand.

Industrial sales, which comprised 27% of total volumes, increased marginally by 1% to 14,465 GWh from 14,318 GWh in 2024. The segment remained relatively stable, supported by resilient demand from the semiconductor and construction-related sectors. These gains were partially offset by operational decentralization and supply chain disruptions in the food and beverage sector, as well as weaker demand from certain customers in the plastics industry and embedded generators.

In the power generation and retail electricity supply segments, MGen delivered a total of 27,289 GWh of energy in 2025, representing a 78% increase from 2024, driven primarily by additional capacity from Chromite Holdings. The RES business recorded combined energy deliveries of 7,510 GWh in 2025, up by 11% year-on-year, supported by continued customer acquisitions.

At the end of 2025, the consolidated customer base reached approximately 8.2 million accounts, representing 2% increase over the prior year.

Lower electricity sales volumes pose a risk to *MERALCO*'s revenue and profitability. Recent volume declines have been driven largely by external factors, including weather variability, increased rooftop solar adoption, and broader economic conditions. A prolonged period of weak electricity demand could adversely affect financial performance, load growth assumptions, revenue recovery, and long-term investment and capacity planning.

Power Supply and Demand Management

The electricity distributed and supplied by *MERALCO* Group is sourced primarily through PSAs with generators and long-term PPAs with IPPs. Any supply shortfall under these PSAs and PPAs is procured from the WESM, which serves as the centralized trading venue where electricity is bought and sold as a commodity.

(continued on the next page)

Below is the summary of *MERALCO Group's* electricity suppliers and the respective amounts of power purchased for the years ended December 31, 2025, 2024 and 2023. The details of the relevant *IPP*s and *PSA*s are disclosed and discussed in Note 30 to the consolidated financial statements:

	2025	2024	2023
		(amounts in millions)	
SPPC	**₱62,133**	₱56,649	₱36,807
NGCP	**55,851**	45,212	35,319
Excellent Energy Resources, Inc. ("*EERI*")	**51,484**	–	–
First Gas Power Corporation ("*FGPC*")	**50,418**	50,114	46,789
FGP Corp. ("*FGP*")	**26,438**	25,162	23,490
Independent Electricity Market Operator ("*IEMOP*")	**26,116**	65,294	57,420
Masinloc Power Partners Co. Ltd. ("*MPPCL*")	**20,720**	14,327	10,991
SPI	**20,085**	14,801	14,603
SBPL	**17,112**	19,916	24,837
GNPower Dinginin ("*GNPD*")	**13,604**	–	–
Quezon Power (Philippines) Limited Company ("*QPPL*")	**9,223**	21,550	24,126
Mariveles Power Generation Corporation ("*MPGC*")	**6,793**	–	–
RE Resources, Inc. ("*RERI*")	**3,299**	–	–
Limay Power Inc. ("*LPI*")	**2,570**	7,070	–
First NatGas Power Corp. ("*FNPC*")	**1,134**	2,459	15,218
Southwest Luzon Power Generation Corporation	**941**	3,289	3,385
Therma Luzon, Inc. ("*TLI*")	**655**	5,067	15,850
Sem-Calaca Power Corporation ("*Sem-Calaca*")	**628**	620	633
Solar Philippines Tarlac	**493**	465	418
NSEC	**436**	451	263
AC Energy Philippines, Inc. ("*AC Energy*")	**–**	9,016	10,586
Energy Development Corporation ("*EDC*")	**–**	2,242	2,398
Others	**7,151**	2,830	5,115
	₱377,284	₱346,534	₱328,248

The Philippine power supply environment continues to face structural tightening arising from a combination of factors, including the continuing Malampaya gas restriction, rising fuel indices and plant outages due to delayed preventive maintenance and forced outages, and delays in the commissioning of new generation projects. These conditions collectively heighten supply risks and increase exposure to *WESM* procurement.

MERALCO's baseload capacities with *SPI* (330 *MW*) and *SPPC* (670 *MW*) were terminated following the *ERC* denial of the Joint Motions for the Price Adjustment on Notices of *CIC* of *SPI* and *SPPC*. The matter was elevated to the *CA*, which set aside *ERC*'s denial. Subsequently, the *ERC* elevated the case to the *SC.* On July 4, 2024, the *SC* issued a Resolution denying the *ERC*'s Motion for Reconsideration.

Thereafter, the *ERC* approved the two (2) *CIC* claims of *SPI* and *SPPC* totaling ₱34.2 billion. *CIC* 1 totaling ₱5 billion is billable to customers beginning September 2025 billing period over six (6) months until full recovery. *CIC* 2 on the other hand totaling ₱29.3 billion is recoverable over 36 months starting the March 2026 billing period. *AC Energy* and *PEDC* filed similar *CIC* claims totaling ₱1.75 billion and ₱380.6 million, respectively. On January 26, 2026, the *ERC* granted *AC Energy* and *PEDC*'s Updated and Supplemental Joint Motions for Price Adjustment and allowed *AC Energy* and *PEDC* to recover from *MERALCO* customers the amount of ₱1.75 billion and ₱380.6 million, respectively, over 12 months starting the March 2026 billing period.

The operations of *MERALCO, Clark Electric* and *Shin Clark Power,* in their capacity as *DU*s, as well as the *RES* business, may be adversely affected if the electricity suppliers are unable to generate and deliver contracted power. The power generation business is likewise exposed to fuel price volatility, particularly for supply contracts with fixed fuel rate arrangements, as compared to those with pass-through fuel mechanisms, resulting in heightened cost and margin pressures.

Competition

With the effectivity of the *DOE* circulars on Competitive Selection Process ("*CSP*") and its subsequent amendments and revisions since their publication in 2018, the execution of *PSA* by *MERALCO*'s power generation business has become increasingly competitive. The *CSP* framework is intended to promote transparency, competition and greater private sector participation in ensuring adequate generation capacity to serve the captive market.

However, given the heightened competition under the *CSP* regime, there can be no assurance that *MERALCO's* power generation business will consistently submit the most competitive bids in terms of price and other commercial parameters. As a result, *MERALCO*'s generation affiliates may not be awarded *PSA*s in certain *CSP* rounds, which could limit contracted capacities, reduce revenue opportunities, and adversely affect the financial condition and results of operations of the power generation business.

ELECTRIC POWER INDUSTRY DEVELOPMENTS AND UPDATES

The detailed discussions of the rate-making regulations and regulatory policies of the *ERC* which affect both *MERALCO, Clark El*ectric, and *Shin Clark Power* and other significant matters affecting the power industry players are found in Notes 2 and 32 to the consolidated financial statements.

OTHER QUANTITATIVE AND QUALITATIVE DISCLOSURES

(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in MERALCO**'s liquidity increasing or decreasing in any material way.**

On January 27, 2025, *Chromite Holdings* completed the acquisition of 67% stake in the two (2) gas-fired power plants owned by San Miguel Global Power Holdings Corp. ("*San Miguel Global*"), the 1,200 *MW* Ilijan power plant of South Premiere Power Corporation ("*SPPC*"), and a new 1,275 *MW* combined cycle power facility of Excellent Energy Resources, Inc.'s ("*EERI*"), Ilijan Primeline Industrial Estate Corp. ("IPIEC"), and the *LNG* import and regasification terminal owned by Linseed Field

Corporation ("*Linseed*"). The total purchase price amounted to ₱80.0 billion, including a liability amounting to ₱12.0 billion.

Also in March 2025, Actis Rubyred (Singapore) Pte. Ltd., through its wholly owned subsidiary Actis Rubyred (Philippines) Holdings, Inc. ("*Actis*"), completed its subscription of a 40% equity stake in *MTerra Solar*, subject to certain conditions, for a total consideration of ₱29.9 billion. As part of this investment deal, *Actis* infused ₱17.8 billion in cash into *MTerra Solar*. Consequently, unpaid subscription price amounting to ₱12.1 billion was recognized as subscription receivable. On December 17, 2025, *MGreen* and *Actis* entered into a Memorandum of Agreement ("*MOA*"), establishing a mechanism for certain payments to *Actis*. As a result of these equity transactions, a ₱8.4 billion contingent liability was recognized, while the excess of ₱4.1 billion over *Actis* share in the net assets of *MTerra Solar* was recorded as an equity reserve.

(ii) Any events that will trigger direct or indirect contingent financial obligation that is material to MERALCO**, including any default or acceleration of an obligation.**

1. Mediation with National Power Corporation (*"NPC")*

   On November 21, 1994, *MERALCO* entered into a 10-year Contract for Sale of Electricity ("*CSE*") with *NPC* beginning January 1, 1995, as required by the *DOE* to address the concerns of the then creditors of *NPC*, following a crippling power supply crisis.

   The *CSE,* rates and amounts charged to *MERALCO* were approved by the *BOD* of *NPC* and the then Energy Regulatory Board, respectively.

   Separately, the *DOE* also required *MERALCO* to provide market for half of the output of the Camago-Malampaya gas field to allow the Government to generate revenues and foreign exchange savings to the extent of the fuel imports which shall be displaced.

   In the early years of *CSE*, *MERALCO*'s total purchases from *NPC* exceeded the contract level. However, following the Asian crisis in 1997, a decline in energy demand occurred. A dispute ensued with a Settlement Agreement signed between *NPC* and *MERALCO* on July 15, 2003 which was filed with the *ERC* for approval. After the validity of the Settlement Agreement was questioned by the Office of the Solicitor General, the matter was elevated to the *RTC* under a petition for declaratory relief. The *RTC* Decision declaring the Settlement Agreement valid and binding, except for the pass-through provision which remains under the *ERC*'s jurisdiction, was affirmed by both the *CA* and *SC*.

   In a Resolution dated September 28, 2022, the *SC* denied the Petition filed by the *OSG* and affirmed the validity of the *SA*. The *OSG* filed a Motion for Reconsideration. The *SC*, through a resolution dated April 3, 2024 denied the *OSG*'s motion. With this, the Resolution has attained finality and entry of judgment had been issued.

   As at February 25, 2026, *MERALCO* is preparing to file the appropriate motion for the revival of the proceedings before the *ERC* for the pass-through of such generation charge.

2. Sucat-Araneta-Balintawak Transmission Line

The Sucat-Araneta-Balintawak transmission line, a two (2)-part 230 kV line in Metro Manila, includes the Araneta to Balintawak and the Sucat to Araneta legs, passing through Dasmariñas Village, Makati City.

On March 10, 2000, certain residents along Tamarind Road, Dasmariñas Village, filed a case against *NPC* with the *RTC-Makati* to stop the installation and energization of high voltage cables near their homes due to alleged health risks from the electromagnetic field emitted by said lines. The *RTC-Makati* granted a preliminary injunction on April 3, 2000, which was affirmed by the *SC* on March 23, 2006. *MERALCO* intervened, citing the significant impact of de-energization of the Sucat-Araneta line to the public and economy. Shutdown of the 230 *kV* line will result in widespread and rotating brownouts within *MERALCO*'s franchise area with certain power plants unable to run at their full capacities.

On September 8, 2009, the *RTC-Makati* allowed *MERALCO* and *NGCP* to intervene and dissolved the injunction, and required the posting of bonds to cover potential damages.

The case remains pending, and is still at the pre-trial stage, with disputes over expert depositions. As at February 25, 2026, *MERALCO* is awaiting further action from the *SC* on the matter.

3. RPT Assessments

On October 22, 2015, the *SC* ruled on an appeal of *MERALCO* declaring, among others, that the transformers, electric posts, transmission lines, insulators and electric meters are not exempted from *RPT* under the Local Government Code *("LGC")*. Thereafter, *MERALCO* began the process of settlement with the affected *LGU*s and filed for the recovery of the resulting *RPT* payments with the *ERC*.

Acting on petitions filed by *PEPOA* and *PHILRECA*, the *ERC* issued Resolution No. 2, Series of 2021, "Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes", approving the recovery of *RPT*, *LFT* and Business Taxes as pass-through charges and therefore excluded among the financial building blocks in the annual revenue requirement of *PBR*.

Subsequently, *PEPOA* filed another petition for rule-making to amend certain provisions of Resolution No. 2, Series of 2021 to cover full recovery as pass-through costs of: (i) local taxes (*RPT*, *LFT* and business tax) levied by *LGU*s during the years prior to the Resolution to address tax arrearages; and (ii) *RPT* assessed by *LGU*s on assets located outside the *DU*'s franchise area but are used to provide public service within the franchise area. *MERALCO* had submitted its comments and several public consultations were conducted. As at February 25, 2026, the Petition is pending with the *ERC*.

4. LFT Assessments of Municipalities

Certain municipalities have served assessment notices on *MERALCO* for *LFT*. As provided in the Local Government Code, only cities and provincial governments may impose taxes on establishments doing business in their localities. On the basis of the foregoing, *MERALCO* and its legal counsel believe that *MERALCO* is not subject or liable for such assessments.

5. *SC* Decision on Unbundling Rate Case

On May 30, 2003, the *ERC* approved *MERALCO*'s unbundled tariffs that resulted in a total increase of ₱0.17 per *kWh* over the May 2003 tariff levels. On December 6, 2006, the *SC* En Banc set aside and reversed the *CA* ruling saying that *COA* audit is not a prerequisite in the determination of a utility's rates. However, the *SC* directed the *ERC* to request *COA* to conduct an audit of the books, records and accounts of *MERALCO*. The *COA* then submitted its audit report to the *ERC*.

On June 21, 2011, the *ERC* maintained its Decision dated March 20, 2003, and stated that the *COA* recommendation to apply disallowances under *PBR* to rate unbundling violates the principle against retroactive rate-making. On appeal, in a Decision dated November 13, 2019, the *SC*: (i) voided the adoption by the *ERC* of the current or replacement cost in the valuation of *MERALCO*'s *RAB*; and (ii) remanded the case to the *ERC* to determine, within 90 days from finality of the Decision: (a) the valuation of the *RAB* of *MERALCO*; and (b) the parameters whether expenses that are not directly and entirely related to the operation of a *DU* shall be passed on wholly or partially to consumers. The *SC* Decision is now final and executory.

Under *ERC* Resolution No. 19, Series of 2025, the *ERC* adopted its policy direction in compliance with the *SC* Decision. The *ERC* clarified that the ruling only applies to *MERALCO*'s unbundled rates from June 2003 to June 2007 and does not extend to other *DU*s, regulatory periods or affects final *ERC* decisions. The *ERC* also adopted the trending method for valuing *MERALCO*'s *RAB* for the affected period. A separate Order will be issued to *MERALCO* to submit a revised *RAB* valuation for the covered period using the trending method. The *ERC* will likewise determine the parameters for the pass-through of expenses not directly and entirely related to distribution operations for the same period. As at February 25, 2026, *MERALCO* is awaiting the *ERC*'s Order with respect to the revised *RAB* valuation.

(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of MERALCO **with unconsolidated entities or other persons created during the reporting period.**

There are various outstanding contingent assets and liabilities which are not reflected in the accompanying consolidated financial statements. Refer to Note 29, *Contingencies and Legal Proceedings* and Note 30, *Significant Contracts and Commitments* to the consolidated financial statements for the updates on the Company's financial obligations.

(iv) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.

1. Retail Competition

On December 28, 2020, the *ERC* released Resolution No. 12, Series of 2020, entitled "A Resolution Prescribing the Timeline for the Implementation of Retail Competition and Open Access ("*RCOA*")". In said Resolution, the *ERC* expanded the coverage of *RCOA* for end-users with an average monthly peak demand of at least 500 *kW* in the preceding 12 months, on a voluntary basis. On

August 15, 2025, the *ERC* released Resolution No. 22, Series of 2025, entitled "A Resolution Lowering the Eligibility Threshold for Retail Competition and Open Access ("*RCOA*") and Retail Aggregation Program ("*RAP*")". In said Resolution, the *ERC* lowered the demand threshold for eligibility to the Competitive Retail Electricity Market ("*CREM*")/*RCOA* to an average monthly peak demand of at least 100 *kW* effective June 26, 2026.

On September 24, 2021, *MERALCO* received a copy of the *SC* Decision wherein, among other matters, the *ERC* was also directed to promulgate the supporting guidelines to *DOE* Circular No. DC 2017-12-0013 and DC 2017-12-0014. The *ERC* promulgated *ERC* Resolution No. 13, Series of 2024 entitled "A Resolution Adopting the Omnibus Rules for Customer Choice Programs in the Retail Market", which consolidated the relevant regulations of the *ERC* on the different Customer Choice Programs, i.e., *RCOA* (now *CREM*), *GEOP* and Aggregation. The Omnibus Rules became effective on September 6, 2024.

2. Petition for Dispute Resolution against Philippine Electricity Market Corporation ("*PEMC*"), National Transmission Corporation ("*TransCo*"), *NPC* and Power Sector Assets and Liabilities Management Corporation ("*PSALM*")

A Petition for Dispute Resolution was filed by *MERALCO* against *PEMC*, *TransCo*, *NPC* and *PSALM,* as a result of the congestion in the transmission system of *TransCo* arising from the outages of the San Jose-Tayabas 500 *kV* Line 2 on June 22, 2008, and the 500 *kV* 600 Mega Volt-Ampere Transformer Bank No. 2 of *TransCo*'s San Jose, Bulacan substation on July 11, 2008. The Petition sought to, among others, direct *PEMC* to adopt the *NPC-TOU* rate or the price determined through the *ERC*-approved price substitution methodology of *PEMC* as approved by the *ERC*, as basis for its billing during the period of the congestion and direct *NPC* and *PSALM* to refund the transmission line loss components of the line rentals associated with *NPC/PSALM* bilateral transactions from the start of *WESM* operation on June 26, 2006.

The *ERC* eventually found merit in *MERALCO*'s petition and ruled that there is double charging. Thus, *NPC* was directed to refund line rental adjustment to *MERALCO*. Discussions ensued on the methodology for segregation of line rental into congestion cost and line losses from the start of the *WESM* operation. Amounts of refunds were determined and *NPC* was directed to refund amounts collected for the period November 2006 to August 2012. Additionally, *MERALCO* was directed to file a petition against several successor generating companies ("*SGC*s") to recover the line loss collected by them. Among subsequent filings was a Petition for Review on Certiorari (With Urgent *TRO* and/or Writ of Preliminary Mandatory Injunction Applications) filed by *PSALM.* The *CA* dismissed the Petition for Certiorari and upheld the decision on the *ERC* with respect to the double charging. Another *MR* filed by *PSALM* was also denied by the *CA* with *PSALM* elevating the case to the *SC*. The motion has been given due course and is awaiting further action of the *SC* on the Petition as of February 25, 2026.

3. Petition for Dispute Resolution Against *SPPC, MPPCL,* Aboitiz Power Renewables, Inc. ("*APRI*"), *TLI, SPI* and *Sem-Calaca*

On August 29, 2013, *MERALCO* filed a Petition for Dispute Resolution against *SPPC*, *MPPCL*, *APRI*, *TLI*, *SPI* and *Sem-Calaca.* Said Petition seeks the following: 1) refund of the 2.98% transmission line losses in the amount of ₱5.4 billion, inclusive of the ₱758 million line loss for the period September 2012 to June 25, 2013, from said *SGC*s; and 2) approval of *MERALCO*'s proposal to correspondingly

refund to its customers the aforementioned line loss amounts, as and when the same are received from the *SGC*s, until such time that the said over-recoveries are fully refunded, by way of automatic deduction of the amount of refund from the computed monthly generation rate. On September 20, 2013, *MERALCO* received the *SGC*s' Joint Motion to Dismiss. On October 7, 2013, *MERALCO* filed its Comment on the said Joint Motion.

On October 8, 2013, *MERALCO* received the *SGC*s Manifestation and Motion, which sought, among other things, the cancellation of the scheduled initial hearing of the case, including the submission of the parties respective Pre-trial Briefs, until the final resolution of the *SGC*'s Joint Motion to Dismiss. On October 11, 2013, *MERALCO* filed its pre-trial brief. On October 14, 2013, *MERALCO* filed its Opposition to the *SGC*'s Manifestation and Motion. On October 24, 2013, *MERALCO* received the *SGC*'s Reply to its Comment on the Joint Motion to Dismiss. On October 29, 2013, *MERALCO* filed its Rejoinder. Thereafter, the *SGC*'s filed their Sur-Rejoinder dated November 4, 2013. As at February 25, 2026, the Joint Motion to Dismiss is pending resolution by the *ERC*.

4. Petition for Dispute Resolution with *NPC* on Premium Charges

On June 2, 2009, *MERALCO* filed a Petition for Dispute Resolution against *NPC* and *PSALM* with respect to *NPC*'s imposition of premium charges for the alleged excess energy it supplied to *MERALCO* covering the billing periods May 2005 to June 2006. The premium charges amounting to ₱315 million during the May-June 2005 billing periods have been paid but are the subject of a protest by *MERALCO*, and premium charges of ₱318 million during the November 2005, February 2006 and April to June 2006 billing periods are being disputed and withheld by *MERALCO*. *MERALCO* believes that there is no basis for the imposition of the premium charges. The hearings on this case have been completed. As at February 25, 2026, the Petition is pending resolution by the *ERC*.

5. *SC TRO* on *MERALCO*'s December 2013 Billing Rate Increase

After several hearings, petitions and motions, on August 3, 2022, the *SC* affirmed the December 9, 2013 letter of the *ERC* approving *MERALCO*'s proposal to implement a staggered collection over three (3) months and also voided the *ERC*'s March 3, 2014 Order imposing a regulated rate for the said period. A subsequent *MR* was denied with finality by the *SC* on October 11, 2022.

With the foregoing, *MERALCO* and *IEMOP* completed the reconciliation of the final amount to be recovered and a joint letter has been sent to the *ERC* on March 12, 2024 for implementation of the *SC* Decision. As of February 25, 2026, the parties are awaiting the decision of the *ERC* on the recovery of such pass-through charges.

6. *ERC* Investigating Unit *("IU"*) Complaint

On December 26, 2013, the *ERC* constituted the *IU* under its Competition Rules to investigate possible anti-competitive behavior by the industry players and possible collusion that transpired in the *WESM* during the supply months of November 2013 and December 2013.

Several proceedings ensued at the *ERC, CA* and the *SC*. In a resolution dated September 29, 2021, the *SC* affirmed with the *CA* that the *ERC* has jurisdiction over the cases. In the meantime, the *ERC* resumed hearing to discuss updates and developments related to the case. Pre-trial conferences have been conducted and the *ERC* is in the process of resolving the pending motions filed by the GenCos and *MERALCO*. As of February 25, 2026, the parties are awaiting further action by the *ERC*.

7. Ombudsman Case Against Directors

Certain consumer groups charged the *MERALCO* directors and the *ERC* with alleged conspiracy on the misappropriation of bill deposits received from consumers. On May 18, 2018, the criminal complaint for syndicated estafa was dismissed but the case was referred to the *COA* for conduct of audit with respect to compliance therewith. A subsequent *MR* filed by the same consumer group was denied by the *SC*. Thereafter, the same consumer group filed an Urgent Motion for Immediate Execution dated September 21, 2018 praying that the Ombudsman issue a Writ of execution to implement the Resolution dated May 18, 2018. As at February 25, 2026, the matter is still pending.

8. SC Decision on the ₱0.167 per kWh Refund

Following the *SC*'s final ruling that directed *MERALCO* to refund affected customers ₱0.167 per *kWh* for billings made from February 1994 to April 2003, the *ERC* approved the release of the refund in four (4) phases. On December 18, 2015, *MERALCO* filed a Motion seeking the *ERC*'s approval for the continuation of the implementation of the refund to eligible accounts or customers under Phases I to IV, three (3) years from January 1, 2016 or until December 31, 2018. In said Motion, *MERALCO* likewise manifested to the *ERC* that, in order to give eligible customers the opportunity to claim their refund, and, so as not to disrupt the *SC* Refund process, *MERALCO* shall continue implementing the refund even after the December 2015 deadline, until and unless the *ERC* directs otherwise. In its Order dated December 18, 2019, the *ERC* granted *MERALCO*'s Motion authorizing *MERALCO* to continue the implementation of the *SC* Refund to eligible accounts or customers under Phases I to IV until June 30, 2019 and submit a proposed scheme for the unclaimed refund. On February 18, 2019, *MERALCO* filed a Partial Compliance with Manifestation and Motion. On March 8, 2019, *MERALCO* filed a Compliance with Manifestation and Motion.

On July 12, 2019, *MERALCO* filed its Compliance with Manifestation informing the *ERC* of its action taken with respect to all the unclaimed amounts of the *SC* Refund. On September 10, 2019, *MERALCO* filed an Urgent Manifestation and Motion with respect to the Order dated December 19, 2018 of the *ERC*. The *ERC* has yet to rule on the Urgent Manifestation and Motion by *MERALCO*. In its letter dated July 23, 2020, *MERALCO* informed the *ERC* of the updated balance of the *SC* Refund. *MERALCO* continues to process the refund claims of eligible customers.

An *ERC*-ordered audit of the *SC* Refund process and balance was performed by an independent firm of accountants in 2021. As at February 25, 2026, there has been no further action from the *ERC*.

9. *Overpayment of Income Tax related to SC Refund*

After several rounds of motions and appeals in the Court of Tax Appeals ("*CTA*"), the *CTA En Banc* on May 22, 2013 denied the motions of the *BIR* and *MERALCO*, and ordered the *CTA* Second Division to receive evidence and rebuttal evidence relating to *MERALCO*'s level of refund to customers, pertaining to the excess charges it made in taxable years 1994 - 1998, and 2000, corresponding to the amount of ₱5,796 million, as already determined by the said court.

The *BIR* appealed the *CTA* en Banc's Amended Decision on July 12, 2012 via a Petition for Review with the *SC*.

On October 2, 2024, the *SC* 2nd Division issued a Resolution granting the *BIR*'s appeal, which reversed and set aside the *CTA En Banc*'s Amended Decision and reinstated the May 8, 2012 Decision of the *CTA En Banc*. On December 20, 2024, *MERALCO* filed an Omnibus Motion with the *SC* for reconsideration of the said Resolution. As at February 25, 2026, the Omnibus Motion is pending resolution by the *SC*.

(v) Any significant elements of income or loss that did not arise from the registrant's continuing operations.

Not applicable.

(vi) Any seasonal aspects that had a material effect on the financial condition or results of operations.

Seasonality of Operations and Growth Drivers

Approximately 97% of *MERALCO Group*'s operating revenues pertain to electricity sold and distributed by *MERALCO* and *Clark Electric* and revenues from power generation business of *MGen*.

The electricity sales of *MERALCO*, *Clark Electric* and *Shin Clark Power* exhibit a clear pattern of quarterly seasonality. First quarter *kWh* sales are typically below the annual average, reflecting cooler weather conditions and softer consumer demand following heightened spending during the fourth quarter of the prior year. Second-quarter *kWh* sales are generally higher than the annual average, driven by several factors: increased electricity consumption of households and commercial establishments during the summer months; higher industrial production to replenish inventories and prepare for the opening of classes; and, increased construction activity taking advantage of favorable weather conditions. In the third quarter, manufacturing industries serving export markets typically operate at peak production levels as they rush to meet overseas shipping deadlines. At the same time, industries catering to the domestic market begin ramping up production in preparation for the Christmas season. Fourth quarter sales are generally around the annual average. Industrial activity moderates, while households and commercial establishments reduce cooling loads toward the latter part of the year. Given this seasonal pattern, a higher proportion of *MERALCO*'s and *Clark Electric*'s revenues is typically generated in the second half of the year. Beyond quarterly seasonality, year-on-year movements in *kWh* sales are influenced by broader macroeconomic and environment factors. Electricity sales generally increase during periods of economic growth, low inflation and lower electricity rates, as well as during extended periods of high temperatures, such as those experienced during "*El Niño*" episodes.

The following table sets forth *MERALCO Group* quarterly sales in *GWh* for the years ended December 31, 2025, 2024 and 2023.

Period	2025	2024	2023
First Quarter	12,493	12,307	11,287
Second Quarter	14,598	14,647	13,505
Third Quarter	13,628	13,918	13,372
Fourth Quarter	13,278	13,453	12,880
Total	**53,997**	**54,325**	**51,044**

The power generation business generally follows the seasonality of the distribution utility business. The businesses of all other subsidiaries are not highly seasonal.

(vii) Any known trends, demands, commitments, events or uncertainties that will have a material impact of the issuer's liquidity.

Management is not aware of any known trends, demands, commitments, events or uncertainties that may deem potentially have a material impact on *MERALCO Group*'s liquidity as at December 31, 2025, other than those already disclosed in this report and in the consolidated financial statements.

(viii) Discussion of MERALCO**'s and its majority-owned subsidiaries top five (5) key performance indicators. It shall include a discussion of the manner by which** MERALCO **calculates or identifies the indicators presented on a comparable basis.**

Listed hereunder are *MERALCO*'s five (5) major subsidiaries namely *Clark Electric*, *MGen*, *MIESCOR, e-MVI* and *CIS*. The following table summarizes their key financial performance and indicators as at and for the years ended December 31, 2025, and 2024.

Financial Highlights and Ratios[1] of Major Subsidiaries

As at and for the years ended December 31, 2025, and 2024

(Amounts in million except for financial ratios and % change)

	Clark Electric			MGen			MIESCOR			e-MVI			CIS		
	2025	2024	% change	2025	2024[3]	% change	2025	2024	% change	2025	2024	% change	2025	2024	% change
Percentage of ownership	65%	65%		100%	100%		100%	100%		100%	100%		100%	100%	
Condensed Statements of Financial Position															
Total assets	₱4,714	₱4,373	8	₱402,524	₱215,740	87	₱18,924	₱15,737	20	₱3,866	₱5,396	(28)	₱8,267	₱8,686	(5)
Current assets	2,219	1,893	17	61,421	44,303	39	11,283	8,191	38	1,766	1,295	36	8,138	8,487	(4)
Cash and cash equivalents	1,757	1,487	18	30,559	24,128	27	3,069	1,304	135	1,173	568	107	4,211	3,006	40
Equity	2,505	2,641	(5)	189,092	91,051	108	11,417	9,931	15	1,365	2,075	(34)	522	1,028	(49)
Total debt[2]	-	-	-	116,781	52,342	123	184	322	(43)	525	669	(22)	-	-	-
Current liabilities	1,089	834	31	38,302	32,351	18	7,021	5,377	31	1,578	1,421	11	7,635	7,523	1
Financial Ratios															
Debt-to-equity ratio	-	-	-	0.62	0.57	7	0.02	0.03	(50)	0.38	0.32	19	-	-	-
Current ratio	2.04	2.27	(10)	1.60	1.37	17	1.61	1.52	5	1.12	0.91	23	1.07	1.13	(6)
Condensed Statements of Income															
Revenues	4,434	3,780	17	31,327	32,091	(2)	11,369	8,636	32	2,365	2,440	(3)	2,194	2,190	-
Costs and expenses	4,034	3,425	18	27,269	25,405	7	9,492	8,094	17	3,430	2,314	48	2,075	2,069	-
Net income (loss)	457	448	2	17,826	13,382	33	1,415	(259)	646	(1,099)	80	(1,474)	143	152	(6)
Financial Ratios															
Profit margin	10.3%	11.9%	(13)	56.9%	41.7%	36	12.4%	(3.0%)	(515)	(46.5%)	3.3%	(1,517)	6.5%	6.9%	(6)
Return on equity	18.2%	17.0%	8	9.4%	14.7%	(36)	12.4%	(2.6%)	(575)	(80.5%)	3.9%	(2,188)	27.4%	14.8%	85
Asset turnover	0.98	0.90	9	0.10	0.16	(36)	0.66	0.40	65	0.51	0.43	19	0.26	0.28	(7)

[1]The manner of computing the financial ratios for subsidiaries is the same with that of *MERALCO's* as presented in *Financial Highlights and Key Performance Indicators*.

[2]Total Debt is composed of notes payable and interest-bearing long-term financial liabilities, current and noncurrent portions.

[3]In September 2024, *MIESCOR* entered into a Multi-party Share Swap Agreement which resulted in a reduction of *MIESCOR*'s equity interest in *MIDC* from 51% to 26.56%. The transaction resulted in the deconsolidation of *MIDC*.

ANNEX – Aging of Trade and Other Receivables

As at December 31, 2025

(Amounts in millions)

	Total	1 - 30 days	31 - 60 days	61 - 90 days	Over 90 days
Trade receivables - energy	₱56,914	₱15,864	₱3,868	₱16,755	₱20,427
Other trade receivables - service contracts	14,938	8,884	348	279	5,427
Gross trade receivables	**71,852**	**24,748**	**4,216**	**17,034**	**25,854**
Non-trade receivables	14,550	13,843	272	-	435
Total receivables	**86,402**	**38,591**	**4,488**	**17,034**	**26,289**
Allowance for expected credit losses	**(9,676)**	**(151)**	**(446)**	**(967)**	**(8,112)**
Net receivables	**₱76,726**	**₱38,440**	**₱4,042**	**₱16,067**	**₱18,177**

MARKET INFORMATION

The principal market where *MERALCO*'s common equity is traded in the Philippine Stock Exchange.

The quarterly high and low sales prices for the fiscal years 2025 and 2024, the first quarter of 2026, and as of May 20, 2026 are as follows:

FROM	TO	HIGH	LOW
		Share Price (in ₱)	Share Price (in ₱)
05/01/26	05/20/26	670.00	611.00
04/01/26	04/30/26	679.50	604.00
01/01/26	03/31/26	640.00	575.00
10/01/25	12/31/25	618.00	531.00
07/01/25	09/30/25	560.00	515.50
04/01/25	06/30/25	584.00	517.50
01/01/25	03/31/25	550.00	448.00
10/01/24	12/31/24	503.50	439.00
07/01/24	09/30/24	457.80	366.40
04/01/24	06/30/24	379.80	345.00
01/01/24	03/31/24	399.80	350.00

As of May 20, 2026, the share price of *MERALCO* is ₱618.00 per share.

Holders

As of April 30, 2026, the Company has 39, 940 stockholders.

Top 20 Stockholders as of April 30, 2026

	STOCKHOLDER NAME	NATIONALITY	NUMBER OF SHARES	%
1.	BEACON ELECTRIC ASSET HOLDINGS, INC.	FILIPINO	394,059,235	34.96
2.	JG SUMMIT HOLDINGS, INC.	FILIPINO	297,189,397	26.37
3.	METRO PACIFIC INVESTMENTS CORPORATION	FILIPINO	140,906,807	12.50
4.	PCD NOMINEE CORP - FILIPINO		107,031,403	9.50
5.	PCD NOMINEE CORP – NON-FILIPINO		59,861,165	5.31
6.	SAN MIGUEL GLOBAL POWER HOLDINGS CORPORATION	FILIPINO	46,596,596	4.13
7.	FIRST PHILIPPINE HOLDINGS CORPORATION	FILIPINO	44,382,436	3.94
8.	MANTES CORPORATION	FILIPINO	2,486,427	0.22
9.	LUCIO W. YAN	FILIPINO	403,208	0.04
10.	CHARLOTTE CUA CHENG	FILIPINO	314,534	0.03
11.	ALBERT FERREROS DEL ROSARIO &/OR MARGARET GRETCHEN DE VENECIA DEL ROSARIO	FILIPINO	291,140	0.03
12.	AVESCO MARKETING CORPORATION	FILIPINO	284,427	0.03

13.	B. P. INSURANCE AGENCY, INC.	FILIPINO	281,079	0.02
14.	SERGIO ONG OR SHIRLEY OLANO	FILIPINO	245,460	0.02
15.	MAKATI SUPERMARKET CORPORATION	FILIPINO	240,308	0.02
16.	ALBERT FERREROS DEL ROSARIO AND/OR MARGARET GRETCHEN DE VENECIA DEL ROSARIO	FILIPINO	182,500	0.02
17.	LAARNI NIEMAN ENRIQUEZ	FILIPINO	164,388	0.01
18.	AGIKIK CORPORATION	FILIPINO	120,100	0.01
19.	BP INSURANCE AGENCY, INC.	FILIPINO	116,730	0.01
20.	RAUL JOSEPH CONCEPCION	FILIPINO	112,431	0.01

The Company is not aware of any person or corporate entity holding more than 5% of common shares other than the following stockholders of record: Beacon Electric Asset Holdings, Inc., JG Summit Holdings, Inc., Philippine Central Depository (PCD) Nominee Corporation, and Metro Pacific Investments Corporation.

Based on the Company's stock and transfer book, there has been no transaction resulting to an acquisition, business combination, or other reorganization that resulted in a change in the amount and percentage of the present holdings of a beneficial owner holding more than five percent (5%) of the Company's common equity, nor of each director, officers, or nominees.

Based on the Company's stock and transfer book, there has been no change in the control of MERALCO since the beginning of the last fiscal year, and for the period January 1, 2026 to as of May 11, 2026.

Dividends

Following are the cash dividends declared by *MERALCO*'s *BOD* in favor of *MERALCO* common shares for the two (2) most recent years ended December 31, 2025 and 2024:

YEAR	RATE PER SHARE	RECORD DATE	PAYMENT DATE
2025	₱13.736	March 12, 2025	April 4, 2025
	₱11.328	August 27, 2025	September 22, 2025
2024	₱11.235	March 27, 2024	April 24, 2024
	₱10.295	August 28, 2024	September 23, 2024

On February 25, 2026, the BOD of *MERALCO* approved the declaration of cash dividends of ₱16.672 per share to all shareholders of record as of March 26, 2026, payable on April 20, 2026.

MERALCO's loan agreements contain restrictions on payments of cash dividends to common stockholders subject to meeting certain financial measures, which *MERALCO* complied with.

MERALCO strictly implements its dividend policy, approved by the BOD, in 2010, which prescribes the regular payment of dividends equivalent to fifty percent (50%) of consolidated core net income for the year, which may be supplemented by a special dividend determined on a "look-back" basis. The declaration and payment of special dividends are dependent on the availability of unrestricted retained earnings and free cash. In 2025, *MERALCO* paid cash dividends of ₱25.064 per share to all its shareholders.

Recent Issuance of Securities Constituting an Exempt Transaction

None.

CORPORATE SOCIAL RESPONSIBILITY

As Manila Electric Company (the "Company" or "MERALCO") *c*ontinues to provide quality and reliable electricity service to its customers, it is mindful of its commitment to contribute to national development through various corporate social responsibility initiatives in the areas of community electrification, environmental sustainability, youth development, community relations, disaster resilience and response, and employee giving and volunteerism. Through its corporate foundation and social development arm - One Meralco Foundation ("OMF") – and anchored on its corporate values of *malasakit* and *bayanihan*, the Company engages with various stakeholders such as the national and local governments, non-profit and peoples' organizations, the academe, among others, in implementing social development programs that resulted in meaningful impact to marginalized communities.

Providing energy access to low-income households and off-grid communities

Since 2011, the Company has assisted 85,673 low-income families in its franchise area to obtain access to the distribution grid through the Household Electrification Program. Through the cooperation of various stakeholders: *MERALCO*'s business centers and network sectors, local governments, urban poor associations, and OMF, they address the technical, legal, and financial hurdles which make electrification challenging for these households, especially those in informal settlements and relocation sites.

Outside the *MERALCO* franchise area, the Company helps address the energy access challenges of remote and off-grid public schools, rural health centers and barangay health stations, agriculture and livelihood facilities and equipment, as well support the electrification needs of water access programs.

The following community electrification initiatives utilize solar power, and they strike at the heart of the Sustainable Development Goals (SDG) particularly SDG1: No Poverty and SDG7: Affordable and Clean Energy:

- Energized 304 remote and off-grid public schools since 2012 (approximately directly benefiting 92,948 students)
- Energized nine rural health centers since 2022
- Energized ten agricultural and livelihood facilities/projects since 2022
- Energized five water access projects since 2022

Remote public schools which are now energized can utilize technology and other multi-media learning equipment to enable improved learning experiences for students and help educators innovate their learning delivery strategies. In 2025, the program energized four public schools in the coastal community in mainland Mauban, Quezon. This was in support of the Department of Energy and the Presidential Directive No. PBBM-2024-073 on the Provision of Electricity and Internet Connectivity to School, and energized a school in Cagbalete Island. OMF and the Company's renewable energy company, MSpectrum, installed solar PV systems which power the remote public schools.

Aside from off-grid public schools, barangay health stations and rural health centers in Cuyo, Palawan, Don Salvador Benedicto, Negros Occidental, and Guiuan, Eastern Samar were also energized in 2025, enabling doctors to the barrios and barangay health workers to use tools like nebulizers for those suffering from respiratory ailments, fetal dopplers for pregnant women and even store vaccines as cold storage are now possible in these health centers.

Solar electrification also played a significant role in the improvement of the operations of various agricultural cooperatives. In 2025, the solar mobile irrigation system of the Bagong Anyo Nampicuan Cuyapo Farmers Irrigatores Association in Cuyapo, Nueva Ecija help ensure sustainable cropping operations and high-quality yields. E-tricycle drivers who are members of Mulawinan Centro E-Trike Operators in Valenzuela City also benefitted from an electric tricycle charging station. This was made possible by OMF and the Department of Social Welfare and Development – Sustainable Livelihood Program. The Naghiusang Gagmay'ng Mangingisda sa Halian fisherfolks in Halian Island, Del Carmen, Surigao del Norte were gifted with a solar PV system installed in their facility to power the island's only water refilling station and fish processing facility.

By energizing community-based water pumping stations since 2022, communities in Sitio Central in Brgy. Patabog, Mulanay, Quezon, Sitio Sapang Munti, Brgy. San Mateo, Norzagaray, Bulacan, Brgy. Sibaltan El Nido Palawan, Brgy. Guinsang-an, Sto Nino, South Cotabato, and Brgy. Dapdap in Pilar, Sorsogon now enjoy the benefits of safe drinking water nearer to their homes.

As part of the Company's advocacy to "spread the light," OMF in 2025 also distributed 3,134 solar lamps to fisherfolks, farmers, students, uniformed personnel, and low-income households in Batanes, Benguet, Cagayan, Cebu, Laguna, Batangas, Bulacan, Palawan and Zambales, as well as those families affected by various natural disasters in Aurora, Kalinga, Camarines Sur, Cebu, Masbate, Metro Manila and Sorsogon. OMF also provided solar lamps to soldiers stationed in the West Philippine Sea. Since the program started, 9,476 solar lamps have been distributed.

These programs are concrete expressions of the Company's aspiration to contribute to prosperity in underserved communities by utilizing the benefits of electrification. This is also a concrete step by the Company to contribute to inclusive development particularly in remote communities so that the local actors can be active players in the economic and social needs of their own constituencies.

Contributing to reforestation and improving economic and social opportunities of communities around forests

Through the "One for Trees" program, the Company contributes to the reforestation and regeneration of forests, wetlands and watersheds at risk in the country. To date, the program has planted and is nurturing 3,045,104 trees since the program started in 2019. Reforestation sites are now found in San Miguel, Bulacan and Siniloan, Laguna, various towns in the Bohol along the Carood Watershed, Butuan, Agusan del Norte, Kalibo and Ibajay, Aklan, Aringay, La Union, Del Carmen, Siargao Island, Surigao del Norte, and Pangantucan, Bukidnon. The Company also has reforestation sites in Cebu and Iloilo under the care of its subsidiary, Meralco PowerGen Corporation. New mangrove sites were also included recently in Bayawan, Negros Oriental, and New Washington, Aklan. The program also benefits 2,496 tree farmers and their families with food security through agroforestry, and with livelihood through income from maintaining the reforestation sites.

Responding to the needs of communities within the franchise area

Throughout the year, the Company, through OMF, implements various community relations projects in partnership with public schools, local governments, other national government agencies, private organizations, and non-government organizations as well as civil society and peoples' organizations. These projects, ranging from computer donations, distribution of school kits, donation of medicines, reading books, food packs, support to environment initiatives and relief goods post disaster are a means to help the

priorities of the various communities in need within the Company's franchise area. Many of these are very strategic to the development of operations of institutions, for example, computer donations to police stations, barangays and other NGO offices enable them to automate their operations and workflows.

Every year, OMF also implements its annual back-to-school campaign called "Balik Eskwela." In the past eleven years, a total of 44,485 students from 698 public schools benefited from this program. In 2025 alone, more than 7,000 students from 84 public elementary schools received a specially designed bag containing alphabet flash cards, story book, writing workbook, pencil case with pencils, and crayons. The project is in partnership with the Meralco Employees Fund for Charity and is hugely organized by the Company's employees.

Investing in the youth and women

Within the Company, OMF continues its annual program of recognizing the academic excellence of dependents of the Company's rank and file and supervisory employees through the MVP Academic Achievement Awards. In the last 15 years, it has honored 3,010 awardees and 1,122 top achievers with educational grants.

As part of its continued advocacy for providing more opportunities to women to consider a career in the energy industry, the Company continued its two scholarship programs dedicated for women. The Women Technicians Program in partnership with Don Bosco College Canlubang allows aspiring young women to become skilled electrical technicians and it has been participated by 31 women scholars. In total, 23 women scholars are now employed by the Company in various technical roles. The other program, dubbed as MPowHER, is for aspiring women who would like to pursue a degree on electrical engineering. A total of 60 women scholars participate in the program and are studying in partner universities like the Batangas State University, Nueva Ecija University of Science and Technology, Polytechnic University of the Philippines, Batangas State University and the University of the Philippines Diliman and Los Baños campuses. Thirty-four scholars graduated from the program with 13 graduates passing the Registered Electrical Engineer (REE) board exam.

Responding to disasters and empowering through resilience

The Company is also responsive to the needs of communities affected by calamities within and beyond its franchise area, with a total of 15,708 families provided relief through its efforts in 2025. Relief packs were given to Filipinos affected by fires, floods, typhoons, volcanic eruptions and earthquakes. Since 2011, a total of 188,617 families have directly benefited from this initiative. Outside its franchise area, the Company also lends a hand in restoring power to local electric cooperatives whose facilities were severely affected by typhoons such as Typhoon Pablo in Davao Oriental in 2012, Typhoon Yolanda in Tacloban and Palo, Leyte, Iloilo and Aklan in 2013 and recently in Typhoon Odette in Cebu, Bohol and Surigao del Norte in 2022 and in Ilocos Norte which was hit by Typhoon Egay in July 2023.

The Company continues to be a committed partner in helping address the various sustainable development challenges in the country, particularly those where electrification, environmental protection and citizen empowerment are the best solutions. Through the focused advocacies of OMF, the volunteerism of *MERALCO* employees and the cooperation of various partners in business, government, academe and people's organizations, better opportunities for productivity, livelihood and citizen engagement become available for Filipinos who need them the most.

COMPLIANCE WITH BEST PRACTICES IN CORPORATE GOVERNANCE

As a Philippine publicly listed company ("PLC"), Manila Electric Company (the "Company" or "*MERALCO")* is in full compliance with the rules and regulations of the Securities and Exchange Commission ("SEC"), including the Code of Corporate Governance, the Philippine Stock Exchange ("PSE"), and all other rules and regulations for the development of the Philippine capital market.

As a testament to the Company's good corporate governance practices, *MERALCO* was awarded Four Golden Arrows by the Institute of Corporate Directors ("ICD"), acting as the domestic ranking body of the ASEAN Capital Market Forum (ACMF) for the ASEAN Corporate Governance Scorecard ("ACGS"), for the Company's remarkable governance structure, programs, and practices in the 2024 Assessment, for its 2023 performance, where the Company received a score of 108.89.

Pursuant to the governance principle of transparency, the Company fully complied with the *SEC* and PSE's reportorial requirements on corporate governance, including:

1. The 2025 Certification by the Compliance Officer of the Company's full compliance with the Revised Manual of Corporate Governance ("MCG"). No deviations from the Manual transpired.

2. Certification of Board attendance, reports involving financial statements, disclosure of material information and events, clarifications on specific news articles concerning the Company, and trainings attended by Board members and key officers on corporate governance.

3. Disclosure requirements on direct and indirect ownership of securities under the Securities Regulation Code, and the reporting of trading transactions of directors and concerned officers of the Company by the Compliance Officer not later than the following day after the required event or transaction. There has been no case of insider trading involving directors and management of the Company.

The Company continues to strengthen its governance structure, policies, programs and practices, and stakeholder engagement, in accordance with best corporate governance practices aligned with the recommendations under the SEC's 2017 Code of Corporate Governance for Publicly Listed Companies, the Integrated Annual Corporate Governance Scorecard ("I-ACGR") and the Annual Corporate Governance Scorecard ("ACGS").

Governance Structure

The Board of Directors (the "Board" or "BOD") is the highest governance body of the Company. The Board is composed of directors with collective working knowledge, experience, and expertise relevant to power, energy, and electric distribution industry/sector. It represents an appropriate mix of competence and expertise in the area of business, finance, operations, regulatory, and legal disciplines relevant to the Company's industry, with each director capable of adding value and exercising independent judgment,

ensuring that the directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.

Composition

The Board consists of eleven (11) directors, three (3) of whom are independent directors (including 1 female independent director), seven (7) are non-executive directors, and one (1) is an executive director:

Director	Designation
Manuel V. Pangilinan	Chairman and Executive Director
Lance Y. Gokongwei	Non-Executive Director
Ray C. Espinosa	Non-Executive Director
James L. Go	Non-Executive Director
Victorico P. Vargas	Non-Executive Director
Jose Ma. K. Lim	Non-Executive Director
June Cheryl A. Cabal-Revilla	Non-Executive Director
Patrick Henry C. Go	Non-Executive Director
Artemio V. Panganiban	Lead Independent Director
Pedro Emilio O. Roxas	Independent Director
Lydia B. Echauz	Independent Director

Board Diversity

In line with its commitment to the principles of good corporate governance, the Company adopted a Board Diversity Policy to ensure that the Board has an appropriate mix of expertise, experience, independence, and skills that would encourage critical discussion and promote a balanced decision in the attainment of the Company's strategic objectives and sustainable development.

The Board Diversity Policy, in particular, recognizes the important role of women with appropriate and relevant expertise and experience that can contribute to the diversity of perspectives in the Board. Under the Policy, the Board shall aim to have at least one (1) female director as its member. Currently, the Board has two (2) female directors, one of whom is independent.

Directors are selected from a broad pool of qualified nominees. In order to achieve a diverse board, varied aspects are to be considered as measurable objectives, including, but not limited to academic, professional and business background, age, gender, and other regulatory requirements. The final composition of the Board is grounded on merit and potential contribution of the selected directors to the Company.

Measurable Objectives	2025 Board	Description	2024 Board	Description
Gender Diversity	√	Mix of Male and Female Directors	√	Mix of Male and Female Directors 9 male and 2 female directors

		9 male and 2 female directors		
Racial Diversity	√	Mix of Racial or Ethnic Backgrounds	√	Mix of Racial or Ethnic Backgrounds
Age Diversity	√	Age ranges from 52 to 89 years old	√	Age ranges from 51 to 88 years old
Board Tenure	√	Tenure ranges from 1 to 18 years	√	Tenure ranges from 1 to 17 years
Expertise				
E.1. Industry Expertise	√	Mix of directors sitting as members of the BOD in Energy, Electric Retail and Power Generation companies	√	Mix of directors sitting as members of the BOD in Energy, Electric Retail and Power Generation companies
E.2. Management or Operations	√	Mix of directors sitting as members of BOD or officers of electric supply, energy, power generation, retail, banking, telecommunications, realty, media, medical, insurance and other companies	√	Mix of directors sitting as members of BOD or officers of electric supply, energy, power generation, retail, banking, telecommunications realty, media, medical, insurance and other companies
E.3. Financial, Audit, or Risk Management Expertise	√	Mix of directors acting as Chief Risk Management Officer, Member of Philippine Disaster and Risk Foundation, or members of Financial, Audit, or Risk Management committees of other companies	√	Mix of directors acting as Chief Risk Management Officer, Member of Philippine Disaster and Risk Foundation, or members of Financial, Audit, or Risk Management committees of other companies
E.4. Legal or Regulatory Expertise	√	Mix of directors who are lawyers, or with Regulatory Management background, a Former Chief Justice of the Supreme Court of the Philippines, Former Chairperson of the Presidential Electoral Tribunal, Judicial and Bar Council and Philippine Judicial Academy	√	Mix of directors who are lawyers, or with Regulatory Management background, a Former Chief Justice of the Supreme Court of the Philippines, Former Chairperson of the Presidential Electoral Tribunal, Judicial and Bar Council and Philippine Judicial Academy
E.5. Corporate Governance	√	Director with membership in Shareholders	√	Director with membership in Shareholders Association of the Philippines

		Association of the Philippines		
E.6. Technology or Digital Media Expertise	√	Mix of directors who are likewise directors, advisors or consultants of media, technology or telecommunications companies	√	Mix of directors who are likewise directors, advisors, or consultants of media, technology, or telecommunications companies
E.7. Retail, Sales or Marketing Expertise	√	Mix of directors who are likewise directors, advisors or consultants of media, telecommunications, banking, realty, media, medical, insurance and retail companies	√	Mix of directors who are likewise directors, advisors or consultants of media, telecommunications, banking, realty, media, medical, insurance and retail companies
Professional, Academic or Advocacy Background or Affiliations				
F.1. Academic Institutions	√	Mix of directors who have degrees in Finance and Commerce, Business Management, or who are member of Board of Overseers, Board of Trustees of colleges or business schools, or graduate of International Management Development Program	√	Mix of directors who have degrees in Finance and Commerce, Business Management, or who are member of Board of Overseers, Board of Trustees of colleges or business schools, or graduate of International Management Development Program
F.2. Advocacy Groups or Foundations	√	Directors with membership in environmental and socio-civic advocacy groups and foundations	√	Directors with membership in environmental and socio-civic advocacy groups and foundations
F.3. Professional Organizations	√	Directors with membership in Integrated Bar, Philippine Bar Association, and Inter-Pacific Bar Association, Philippine Stock Exchange	√	Directors with membership in Integrated Bar, Philippine Bar Association, and Inter-Pacific Bar Association, Philippine Stock Exchange

Chairman of the Board

The Chairman of the Board, Mr. Manuel V. Pangilinan, serves to represent the interests of all shareholders and stakeholders, and oversees the performance of the Board and its directors. He champions exemplary ethical governance principles for directors, officers, and employees to emulate and espouse.

Together with the Corporate Secretary, Atty. Simeon Ken R. Ferrer and the Compliance Officer, Atty. William S. Pamintuan, the Chairman sets a clear agenda before each Board meeting. He provides opportunities for all directors to actively participate, addresses governance-related issues that non-executive, independent directors may raise, and ensures that the Board exercises strong oversight over the Company and its Management, such that the prospect of any corporate risk or threat is adequately and effectively addressed. His roles and responsibilities are specified in the Corporate Governance (CG) Manual accessible at the Company's website.

Independent Directors

On March 13, 2025, the Nomination & Governance Committee ("Nom&Gov") assessed the profiles of the directors and found that the independent, non-executive directors are indeed free of relationships with the Company, its related corporations, its management or substantial shareholders that could interfere, or be reasonably perceived to interfere, with the exercise of directors' independent business judgment. The Nom&Gov had reviewed the multiple board representations held presently by the directors and assessed that they do not hinder in any way the performance of their duties to the Company.

Given the nomination for election to the Board of Directors of independent directors, Retired Chief Justice Artemio V. Panganiban and Mr. Pedro O. Roxas after the maximum nine-year term, the Board provided for the meritorious justification for their retention in accordance with the MCG which was consequently approved by the shareholders during the 2025 Annual Stockholders' Meeting.

The retention of Retired Chief Justice Panganiban and Mr. Roxas as independent directors was approved due to their extensive expertise and deep institutional knowledge, which are vital for the Company's stability and growth. Their leadership was instrumental in securing the approval of Congress for the Company's 25-year franchise renewal, ensuring reliable and efficient electricity distribution while driving growth and innovation. Additionally, Retired Chief Justice Panganiban and Mr. Roxas uphold robust corporate governance principles, reinforcing ethical leadership, transparency, and stakeholder confidence. Both directors have demonstrated strategic acumen, regulatory expertise, and strong stakeholder relationships, which have proven essential in navigating complex processes like the franchise renewal and the rate reset filing with the Energy Regulatory Commission. Their forward-thinking approach aligns with the Company's long-term goals, particularly in diversifying investments in renewable energy.

Board Committees

The Board has formed various Board Committees delegated with specific responsibilities. These Committees are established and guided by their respective committee charters. The same is disclosed in the Annual Report and posted on the Company Website.

Currently, there are eight (8) standing Board Committees:

- Executive Committee ("ExCom");
- Nomination and Governance Committee ("Nom & Gov");
- Audit Committee ("AuditCom");
- Risk Management Committee ("RMC");

- Remuneration and Leadership Development Committee ("RLDC");
- Finance Committee ("FinCom");
- Related Party Transactions Committee ("RPTCom");
- Sustainability Committee ("SusCom")

Corporate Secretary and Compliance Officer

All Board members have direct and independent access to the Corporate Secretary, the Compliance Officer and Management.

The Corporate Secretary, Atty. Simeon Ken R. Ferrer, under the direction of the Chairman, is responsible for ensuring that good information flows within the Board and Board Committees and between Management and non-executive directors. He also facilitates the orientation and assists with the professional development of directors as required by regulators. He met all the qualifications and skills required for his position.

The Board is likewise assisted by Company's Compliance Officer and Senior Vice President, Atty. William S. Pamintuan, who monitors, reviews, evaluates and ensures the full compliance by the Company, its directors and officers with relevant laws, rules and regulations and all governance issuances of regulatory agencies and report violations thereof to the Board and recommends the imposition of appropriate disciplinary action.

The qualifications, duties and responsibilities of the Corporate Secretary and Compliance Officer are stated in the MCG and in the Board Charter. Both of them regularly attend trainings on corporate governance.

Nomination and Election

The Company's Nomination and Election Policy sets forth the procedures in the director selection process, including the acceptance of nominations from minority shareholders and the evaluation and screening of nominees vis-à-vis the applicable qualifications and disqualifications set forth in the MCG, By-laws and other applicable law, policy or regulation, how the board shortlists candidates, and an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.

The Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors/commissioners such as the ICD to search for candidates to the Board. These candidates should be skilled in core competencies such as strategic planning, business expertise, and industry knowledge. The shareholders will then elect the directors during the Annual Stockholders' Meeting ("ASM").

The Company granted all stockholders, including minority stockholders, the right to nominate directors and propose or inquire on agenda items. The "Call for Nominations" was posted on the Company's website on January 27, 2025 for submission of proposed agenda and nomination of qualified candidates on or before March 7, 2025. The agenda and nominees were approved by the Board on January 27, 2025 and March 18, 2025, respectively.

The 2025 ASM was held on Tuesday, May 27, 2025, at 10:20 AM at the Meralco Theater, Ortigas Avenue, Barangay Ugong, Pasig City. The proceedings was likewise made available via live broadcast through the Stockholders Electronic Registration and Voting Express (SERVE).

The Corporate Secretary reported a quorum with the attendance of stockholders who own or hold a total of approximately over 910,775,522 or 80.81% of the total issued and outstanding shares of 1,127,092,509 represented in person and by proxy. An electronic system facilitated the registration and vote tabulation to ensure accuracy and reliability of information. SERVE was also enhanced to allow the stockholders to attend and actively participate via remote communication and to cast their votes for the agenda items online. Stockholders were given opportunity to propound questions and raise concerns to the Board during the meeting.

The Corporate Secretary explained the vote tabulation procedures to the shareholders and stated that all shareholders were entitled to one vote for one share. Representatives from Reyes Tacandong & Co., an independent third party, validated the voting results for each agenda item. The Company also allowed shareholders to freely express their views and raise their questions during the ASM through the SERVE portal.

The Chairman and CEO, the Chairman of the AuditCom, the Chairman of the RLDC, the Chairman of the Nom&Gov, the Chairman of the Finance Committee, other members of the Board, the Chief Finance Officer (CFO), the Corporate Secretary, the Assistant Corporate Secretary, other officers of the Company, and its external auditor attended the ASM to present the performance results of the Company and respond to any question from the shareholders relevant thereto. The appropriate meeting procedures and guidelines were followed before, during and after the ASM.

The Company posted the resolutions approved during the ASM on its website the following day so that non-attending shareholders may be immediately informed.

Board Independence

The Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently. The Board shall consider designating a lead director among the independent directors if the Chairman of the Board is not independent and if the positions of the Chairman of the Board and Chief Executive Officer are held by one person.

Considering that the Chairman of the Board is not an independent director, the appointment of a Senior or Lead Independent Director was endorsed to, and approved by, the Board of Directors. The Board subsequently appointed Independent Director (ID) Ret. Chief Justice Artemio V. Panganiban as the Lead Independent Director to serve as such until the next Lead ID is appointed. As Lead ID, he has the following functions:

a. To serve an intermediary between the Chairman and the other directors when necessary;
b. To convene and chair meeting of the non-executive directors; and
c. To contribute to the performance evaluation of the Chairman, as required.

The Lead Independent Director does not, however, act as Chairman in the absence of the Chairman, the same having been delegated to the Vice-Chairman.

Board Responsibilities

Serving as corporate governance steward of the Company, the Board fosters the long-term success of the Company and ensures that the Company sustains its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.

The Board is responsible for defining and reviewing the Company's vision, mission, overall strategic directions, corporate objectives, long-term goals and core values annually. It oversees and monitors the development and implementation of the Company's business objectives and strategy and ensures that obligations to stockholders and to all stakeholders are understood and fulfilled.

Pursuant to the SEC Corporate Governance Code, the Board adopted in 2017 a CG Manual which provides the framework of good governance and ethical business practices that the Company's directors, officers, and employees are expected to observe and adhere to in dealing with various stakeholders. Management in turn, ensures that the operations of the Company are aligned with the CG Manual.

The CG Manual conforms to regulations set forth by the SEC, the PSE, and other relevant regulatory bodies and is reviewed annually to ensure that it is up to date with local and international best practices, and in keeping with the Company's strategic direction. The CG Manual was amended by the Board on July 29, 2024.

The Board, in its regular meeting held on January 27, 2025 as part of the Board's assessment of the Company's performance in the past year, reviewed the Company's material controls (including operational, financial and compliance controls) and risk management systems and confirmed the Company's full compliance with the code of corporate governance. In 2021, the Board revised the vision, mission, and values statements as well as the corporate strategic objectives of the Company and the same was again reviewed and confirmed by the Board in 2025.

Continuing Education for the Board and Senior Management

Corporate governance education continues with orientations and trainings for the Board and Senior Management. The Board keeps abreast with the latest developments in the corporate governance regulatory landscape and implements a policy on orientation and continuing training for all directors and key officers, including an annual CG training with SEC-Accredited providers, in accordance with the Board Charter and the MCG.

The Company has a policy that encourages directors to attend annual continuing training programs. In fulfillment of such policy and the requirements of the Company's CG Manual, the ERC Resolution No. 1, Series of 2004, and the SEC Memorandum Circular No. 20, Series of 2013, the Directors, together with the Senior Management, attended in person or via online platform, the MVP Group Annual Corporate Governance

Enhancement Session (ACGES) on November 18, 2025, entitled Decision Intelligence and SuperCreativity: Leading in the Age of AI by Cassie Kozyrkov and James Taylor. This session covered four (4) hours of governance training and was accredited by the SEC.

2025 ATTENDANCE TO CORPORATE GOVERNANCE TRAINING AND CONTINUING EDUCATION PROGRAMS		
Director	**Program**	**Resource Person/ Name of Training Institution**
Manuel V. Pangilinan June Cheryl A. Cabal-Revilla Lydia B. Echauz Ray C. Espinosa Jose Ma. K. Lim Ret. Chief Justice Artemio V. Panganiban Victorico P. Vargas	MVP Group Annual Corporate Governance Enhancement Session: Decision Intelligence and SuperCreativity: Leading in the Age of AI held on November 21, 2025	Cassie Kozyrkov James Taylor
Lance Y. Gokongwei Patrick Henry C. Go	Corporate Governance in the Age of AI: Navigating Opportunities and Risks for a Future-Ready Gokongwei Group held on September 18, 2025	2025 Gokongwei Group Corporate Governance Training for Directors and Officers
Pedro Emilio O. Roxas	Powering Trust: The Critical Role of Transparency and Accountability in Corporate Disclosures held on October 24, 2025	Kenneth V. Nerecina
James L. Go	SEC Granted Mr. James L. Go a permanent exemption from the corporate governance training requirement in its en banc meeting on November 10, 2015.	

Succession Planning

Together with the Board, the Nomination and Governance Committee (Nom&Gov) is responsible for recommending a succession planning program for its members while the Remuneration and Leadership Development Committee (RLDC) is responsible for overall guidance and direction on succession planning and leadership development of the President and/or CEO and Senior Management. RLDC, working closely with the head of Human Resources (HR), drives the strategy for succession planning, leadership development, and talent management. The HR head develops and implements the processes and the tools

to ensure robust pools of succession candidates for the President and/or CEO, senior management, middle management and first line management.

Talent Management and Succession Planning Programs are top priorities in the HR agenda by ensuring that the right leaders and talents are in place to drive our business plans. Progressive talent management assessment tools and methodologies were used to identify, assess, and develop leaders for critical positions.

Presently, the succession plan covers 700 leaders of the Company. The succession planning process involves the assessment of the Company's leaders' career aspirations, strengths, and development needs. A key feature of the Company's succession planning process is the talent review conducted at the senior management level and at various levels of the organization. The senior management talent review has resulted in a pool of about 42 candidates who, subject to realization of their development plans, could become management committee members within the next five (5) years.

Retirement Policy

The Board adopts a policy on the retirement for directors and key officers. The Remuneration and Leadership Development Committee assists the Board in the development of the Company's overall performance management, compensation, retirement and leadership development policies and programs based on the Company-approved philosophy and budget.

Remuneration

The Board ensures that the remuneration of directors and officers is consistent with the Company's culture, strategy, and the business environment in which it operates and aligned with the long-term interest of the Company. The Company adopts a remuneration policy comprised of fixed and variable components in the form of base salary and variable bonus linked to the Company's and the individual's performance. Compensation packages and revisions of key Management's remuneration are subject to the review and approval of the Remuneration and Leadership Development Committee.

The Remuneration and Leadership Development Committee recommends to the Board, for the approval of the shareholders, a framework of remuneration for directors and Management, including the President and/or CEO. For the President and/or CEO, and Management, the framework takes into account all aspects of executive remuneration including salaries, allowances, bonuses, and benefits in kind. The framework is benchmarked against pay and employment conditions within the industry and it links rewards to corporate and individual performance.

In particular, the Company compensates employees based on Company, team, and individual performance to help achieve corporate goals and targets and provides for long term incentives such as deferred bonus or pay based on *MERALCO* Group's (the "Group") achievement of specified level of consolidated core net income approved by the Board and determined on an aggregate basis for a three-year period as well as executives' attainment of a minimum level of performance rating. Specifically, the Long-term Incentive Plan ("LTIP"), essentially partaking the nature of deferred bonus, covers qualified employees and is based on the Group's achievement of specified level of CCNI approved by the BOD and

determined on an aggregate basis for a three (3)-year period as well as employees' attainment of a minimum level of performance rating. Employees invited to LTIP must serve a minimum uninterrupted period to be entitled to an award. Further, the employee should be on active employment at the time of pay-out.

Board, Committee, and Key Officers' Performance Assessment

The Board annually conducts a self-assessment of its performance individually, collectively, and as members of the different Board Committees. The self-assessment results are key factors in the enhancement of directors' performance and effectiveness in the discharge of their duties.

The Board conducted the performance assessment from February 24 to March 13, 2025 wherein directors were given opportunity to give their opinions and suggestions or identify special issues of interest about their performance or different aspects of the Company's operation. For the performance year 2025, the assessment was conducted from February 23 to April 21, 2026.

The Board also conducts an annual assessment of the key officers' effectiveness in driving the company's vision, mission, and strategic objectives while upholding core values such as integrity, diligence, and good governance. It also measures the key officers' entrepreneurial mindset, stewardship of resources, and commitment to transparency, accountability, and fairness in advancing the company's growth and sustainability. The Remuneration and Leadership Development Committee exercises functional oversight in the development and administration of leadership development/succession planning and retention programs for executives and officers such as heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive) which include career development, promotions, and performance evaluation.

Every three years, the assessments are supported by an external facilitator. The Company engaged the services of the Good Governance Advocates and Practitioners of the Philippines (GGAPP) for the evaluation of the 2019,2022, and 2025 Board, Committee, and Key Officers' performance assessment.

BOARD, COMMITTEE AND CEO PERFORMANCE ASSESSMENT FORMS

1. **Collective Board Assessment** - each director assessed the Board performance as a whole based on the following categories:
   a) Board composition;
   b) Board efficiency and performance;
   c) Board meetings and participation.

2. **Individual Director Self-Rating –** each director evaluated their performance for the previous year.

3. **Board Committee Assessment –** each director assessed the overall performance of the Board Committees as well as the individual Board Committees based on the provisions of Board Committee Charters.

4. **Key Officer Ratings –** each director assessed the performance of the Chairman/Chief Executive Officer, Chief Compliance Officer, Chief Risk Officer, and Chief Audit Executive. In addition, the Chairman participated in the self-assessment of his performance in the previous year.

Continuing Policy Formulation

With the establishment of a Corporate Governance Office ("CGO") in the Company in 2010, corporate governance policies and programs were adopted by the Board and implemented in the Company such as the MCG, Code of Business Conduct and Ethics (Code of Ethics), Policy on Blackout Period/Restriction on Trading of Shares, Policy on Solicitation and Acceptance of Gifts, "Speak Out" Policy (formerly Whistleblowing policy), Conflict of Interest Policy, Related Party Transactions Policy, Code of Business Conduct and Ethics for Vendors, Human Rights Policy, Anti-Bribery and Corruption Policy, Social Media Policy, Vendor's Code of Business Conduct and Ethics, among others.

In compliance with the recommendations under the I-ACGR, the Company adopted a standalone Anti-Bribery and Corruption Policy which formalizes its stand against corrupt practices and specifies in detail the prohibition against corporate gift-giving to public and private individuals or entities that constitutes bribery or corruption. The Board also adopted and made available, at the option of a shareholder, an established Alternative Dispute Resolution ("ADR") mechanism to resolve intra-corporate disputes in an amicable and effective manner as provided in the Revised Manual of Corporate Governance.

In accordance with the CG Manual, the Company, through its Board of Directors, annually reviews, confirms and/or updates the vision, mission, and corporate strategic objectives of the Company. In 2021, the Board reviewed and updated its vision, mission and value statements to align with the Company's current strategic imperatives and initiatives:

VISION: To be a world-class energy solutions provider, powering our nation and empowering our people today and for generations to come.

MISSION: To provide our customers the best value energy solutions—reliably, affordably, superbly, and sustainably.

CORE VALUES: Excellence, Customer Centricity, Sustainability, Integrity, Innovation, *Malasakit,* and *Bayanihan.*

These are annually reviewed and/or confirmed by the Board.

The Company likewise identified the following strategic objectives to ensure that its obligations to shareholders and to all stakeholders are understood and met:

1. Revenue enhancement;
2. Customer-centricity;
3. Digital Transformation; and
4. Sustainability.

Furthermore, to reinforce board independence and pursuant to the recommendation under ASEAN Corporate Governance Scorecard and the SEC's Code of Corporate Governance for PLCs, the Board appointed independent director Ret. Chief Justice Artemio V. Panganiban, as the Lead Independent Director.

On May 25, 2021, the shareholders of the Company elected lady independent director, Ms. Lydia Echauz. The Board Charter was also drafted to set the Board's purposes, authority, duties, and responsibilities, structure and procedures. The Board Charter also included the provision for guidelines on Board Meetings through Teleconferencing and Videoconferencing.

Following developments in governance policies and practices that are aligned with the recommendations under the Code of Corporate Governance for PLCs, the I-ACGR, and the ASEAN Corporate Governance Scorecard, the Company also introduced amendments to its CG Manual, Finance Committee Charter, Nomination and Governance Committee Charter, Related Party Transaction Charter, and Risk Management Committee Charter. Other existing governance policies of the Company are also continuously reviewed to align with developments in regulations and governance best practices.

Management and Employee Performance Management

The Board has established an effective performance management framework that ensures that the performance of Management and employees is at par with the standards set by the Board and Senior Management.

The achievement of financial and non-financial indicators is reflected in management performance assessment which drives the Company's merit and incentive pay programs.

PERFORMANCE INDICATORS	
Financial	**Non-Financial**
Measures reflecting the financial results and financial position of the Company to stakeholders, such as revenues, consolidated core net income, reported net income, EBITDA, cash and cash equivalents, debt and stockholders' equity, dividend payouts, etc.	▪ S-Factor Indicators - System Loss - System Average Interruption Frequency Index (SAIFI) - System Average Interruption Duration Index (SAIDI) - Momentary Average Interruption Frequency Index (MAIFI) - Time to Process Applications (TPA) - Time to Connect Premises (TCP) - Call Center Performance (CCP) ▪ Guaranteed Service Level (GSL) Metrics ▪ Energy Sales in GWh ▪ Customer Count

The Company's performance management process for employees assesses employee performance on the basis of 1) actual vs. desired results; and 2) how results were delivered in light of corporate core values. Specifically, the annual performance of Management and employees is assessed through the achievement of the Company's Goals and Initiatives (GAINs) indicators.

Performance of the Management and employees is evaluated on a semi-annual basis based on two critical factors:

GOALS & INITIATIVES (GAINs) – measures the employee's work accomplishments during the performance period (i.e., individual goals vs. actual work accomplishments); and

VALUES & BEHAVIOR (V&B) – measures how well the employee met expectations based on the behavioral manifestations of the seven Corporate Values, namely: Customer Service, Performance, Accountability/Empowerment, Integrity/Transparency, Teamwork/ Collegiality, Malasakit, and Makabayan.

Internal Control and Audit

Audit Committee

The Board is supported by an Audit Committee (AuditCom) to strengthen its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.

The AuditCom has the power to 1) review with Management and the external auditors the results of the audit of the financial statements and evaluation of internal accounting controls; 2) review and evaluate procedures and criteria for the selection, appointment, annual performance evaluation and if appropriate, termination of services of the external auditors and recommend to the Board for approval, the appointment, reappointment or removal of the external auditors, duly accredited by the SEC and ratified by the shareholders; and 3) monitor compliance and adherence by the Company with all applicable laws and regulations pursuant to which the Company conducts its operations and business activities.

The AuditCom, which is composed of non-executive directors, undertakes executive sessions with the Chief Audit Executive and the External Auditors without the presence of Management. The conduct of an executive session with the external auditors and the chief audit executive at least once a year is provided for in the charter of the AuditCom. On December 4, 2025, the Audit Com held separate executive session with the engagement partner of the external auditors, Sycip Gorres Velayo & Co. ("SGV"), including the private session of the Audit Committee Chair with the Chief Audit Executive. The agenda of these meetings involved matters the AuditCom and the auditors believe should be discussed without the presence of the executive director or officers from management.

Internal Audit

The Company has in place an in-house independent internal audit function. The Company's Internal Audit adopts a risk-based audit approach in formulating the annual audit plan and strategy that aligns to the key strategies and risks across the Group's business and is reassessed quarterly to consider business changes and emerging risks. This plan is developed in coordination with the relevant business units and subsidiaries and reviewed and approved by the AuditCom.

The assurance and control advisory reviews are aimed at assisting the Board through the AuditCom in promoting sound enterprise risk management, robust internal controls, and good corporate governance.

Design and operating effectiveness of controls that govern the key business processes, systems and risk areas at the Distribution Utility and subsidiaries are evaluated particularly on financial reporting, operations, information technology systems reviews, cybersecurity, data privacy, sustainability, revenue assurance, legal and regulatory compliance, and subsidiary oversight. This provides an independent assurance to the AuditCom on the adequacy and effectiveness of the governance, risk management, internal controls, and compliance systems.

The Company's Internal Audit communicates the results of audit engagements covering various units of the Company and its subsidiaries including specific areas of concerns identified by Management to the AuditCom. The findings and any improvement opportunities are reviewed by AuditCom which then are reported to the Board for guidance and oversight. Significant concerns, which have been reported by Internal Audit Group and the implementation of responsive remedial measures by Management, are acted upon by Management and monitored by AuditCom. The AuditCom Report to the Board included the review of *the* Group's system of internal controls (financial, operational, and compliance controls) and risk management systems which are found to be in place and functioning.

A Certification attestation of the Internal Controls is issued annually as a result of the combined risk and control assessment of the Management and Internal Audit including the scope of audit review for the financial year.

The Company's Internal Audit (IA) is headed by the Group Chief Audit Executive and Senior Vice President, Ms. Melanie T. Oteyza, who reports functionally to the AuditCom and administratively to the President and/or CEO, as outlined in the Company's Internal Audit Charter. The appointment and removal of the Chief Audit Executive require the approval of the AuditCom.

All internal auditors are members of the Institute of Internal Auditors (IIA) and adopts the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework. The internal auditors are comprised of highly certified professionals – Certified Public Accountants, Certified Internal Auditors, Certified Information Systems Auditors, Certified Quality Assurance Validator, Certified Fraud Examiner, Registered Electrical Engineers and others with Certification in Control Self-Assessment, Certification in Risk Management Assurance, and Qualification in Internal Audit Leadership.

The Company's Internal Audit recruits and employs suitable and qualified professional staff with the requisite skillsets, competencies, and experience. Relevant trainings and continuing professional development are provided to its staff to ensure that internal audits are performed effectively and that the team possess the technical knowledge needed for the job and to remain relevant and value-adding to the organization.

The Company's Internal Audit also provides a confirmation of their independence to the Audit Committee on an annual basis.

External Audit

The Company's external auditor, SGV was evaluated, nominated, and recommended for appointment including its audit fees by the AuditCom, and such recommendation was approved by the Board. The re-appointment of SGV was thereafter confirmed by the shareholders in the ASM held on May 27, 2025. In 2025, the fees paid to the external auditor for non-audit services do not outweigh the fees paid for audit services.

	CONSOLIDATED EXTERNAL AUDITOR'S FEES* (Amounts in million PhP)	
	2025	**2024**
Financial Statements Audit	₱26.9	₱24.8
Audit of financial statements in accordance with the requirements of the Business Separation and Unbundling Plan of the ERC, Audit of universal charge reports as required by PSALM, and quarterly reviews for SP New Energy Corporation (SPNEC)	₱11.0	₱2.0
Note: The fees for non-audit services did not exceed those for audit services.		

Please refer to the Supplementary Schedule of External Auditor Fees found in Annex I – 2025 Consolidated Audited Financial Statement, page 390 of this report.

Confirmation on Adequacy of Internal Controls

For the year ended December 31, 2025, Management, through the Chairman and CEO and Chief Audit Executive, has reviewed the adequacy and effectiveness of the overall internal control system of the Company and its subsidiaries. The review covered material controls, including financial, operational and compliance controls.

The approach adopted to support this year-end assessment on the adequacy of the Group's system of internal control was based on the results of the Risks and Controls Self-Assessment (RCSA) of Management and the various audits undertaken by Internal Audit within the companies that comprised the Group as of December 31, 2025. Control issues have been disclosed by Management and validated by Internal Audit to provide reasonable level of assurance. While this approach covers a large part of the Company's internal control systems, it is not intended to cover all areas of the Company, nor all possible areas of risk.

Based on the results of Management's Control Self-Assessments and the Internal Audit's review of key business processes focusing on identified or potential areas of business risks, Management confirms that the Group's systems of internal control are in place and functioning. There are no major internal control issues that have not been acted upon by management as of December 31, 2025.

Risk Management

The Company has a robust internal control and Enterprise Risk Management (ERM) framework to monitor and manage its strategic, legal and regulatory, operational, Environment, Social, and Governance (ESG), and financial risks that are periodically reviewed by the Board to determine its effectiveness in the light of the Company's corporate objective and business and regulatory landscape.

The Company adopted ISO 31000 as its model for ERM framework. The ERM framework helps manage risks by influencing and collaborating with internal organizations and external stakeholders to identify best practices, controls, and process improvement opportunities to address risks. The Enterprise Risk Management Manual was approved and adopted by the Company to provide the methodology and processes for risk management including:

- Identification, assessment, evaluation and mitigation of risks or exploitation of opportunities;
- Definition of management responsibilities and accountabilities; and
- Escalation and reporting of Company's key enterprise risks

EWRM initiates the periodic enterprise-wide assessment of the Company's risks. Risk assessment is conducted for existing and emerging risks brought about by changes in regulations, market structure developments, technological/operational issues and external forces, including changes in weather patterns, customer satisfaction measures and evolving environmental sustainability issues. Identified risks are quantified, and designated risk owners develop risk treatment and mitigation plans to address potential issues. The results are presented and vetted with the RMC.

The Board, through the Risk Management Committee ("RMC"), oversees the EWRM and reviews the top key enterprise risks and the effectiveness of risk mitigation strategies and treatment plans developed by management.

For further discussion of the Company's key risks and corresponding mitigation strategies, please refer to pages 33 to 38 of the 2025 MERALCO Sustainability Report.

Governance Process around IT issues

The Board, through its Risk Management Committee, oversees the governance process around IT issues including disruption, cyber security, disaster recovery, to ensure that all key risks are identified, managed and reported to the Board.

The Management, through ICT Governance Office and ICT Planning and Program Management Office, uses Control Objectives for Information and Related Technology (COBIT) framework to ensure that IT goals and objectives are in line with the overall business strategy of the Company. This involves delivering value from IT investments, managing IT risks, optimizing IT resources, measuring performance, and

communicating with stakeholders. ICT Governance Office provides a comprehensive approach to aligning IT with business objectives, mitigating risks, and ensuring compliance with policies and standards.

Management is accountable to the Board for the Company's information security governance. As a key pillar of the Company's sustainability, the Management, through the Cyber Security Group (CSG), drives the Company's cybersecurity initiatives, providing strategic direction and resources to effectively manage the information security risks. It ensures the highest standard of protection across all aspects of operations, with a strong focus on mission-critical and business critical assets.

The Group conducts regular assessments, and reviews, approving information security policies and standards to ensure continuous monitoring, implementation, and enhancement of a robust information security management system. Aligned with global best practices and international standards, including ISO/IEC 27001, ISO/IEC 27002, and the NIST Cybersecurity Framework, these initiatives are effectively coordinated and integrated into the organization's relevant processes and core business functions, with clear designation of authority, roles, and responsibilities.

The Company's information security policies and standards integrate cybersecurity into the workforce's responsibilities in our increasingly digital world. These policies form the foundation for developing strategies and controls to prevent and mitigate cybersecurity risks, ensuring that the company and its employees are cyber-resilient and capable of effectively detecting, protecting against, and responding to cyber threats.

The Group evaluates the organization's maturity posture and identifies any gaps that require action based on the result of the regular maturity assessment. Moreover, the CSG ensures that business units, shared units, and third-party vendors remain compliant and accountable for the organization's cybersecurity requirements and protocols.

The commitment to inculcating adoption and compliance within the organization will not only protect information assets but also cultivate a culture of trust, accountability, and resilience, which are essential for the Company's long-term sustainability.

Details on the Company's Cybersecurity initiatives are found on pages 114 to 116 of the 2025 MERALCO Sustainability Report.

Related Party Transactions

The Company strictly complies with its Related Party Transactions (RPT) Policy as well as pertinent rules issued by the SEC. The RPT Policy requires the review of material/significant RPTs, to determine whether they are in the best interest of the Company and its shareholders and ensure that all RPTs of the Company are conducted in fair and at arm's length terms.

Under the Policy, the Board, through the RPT Committee, reviews material/significant RPTs to determine whether they are in the best interest of the Company and its shareholders and ensure that all RPTs of the Company are conducted in fair and at arm's length terms. The Policy provides for materiality thresholds, i.e., de *minimis,* significant, material RPTs including SEC material RPTs which constitute ten

percent (10%) of the Company's assets. Also, under of the RPT Policy, the Company does not grant loans or any special financial assistance to directors.

The Company provides all the names of related parties, degree of relationship, nature, and value for each material/ significant RPT. Details are found in Note 23 of the Company's Consolidated Financial Statements.

In 2025, all the RPTs were conducted in fair and at arm's length terms and there was no case of insider trading or policy violations involving directors and officers of the Company. Also, no RPT that can be classified as financial assistance to entities other than wholly owned subsidiary companies. The Company is fully compliant with the Code and policies on corporate governance.

Conflict of Interest (COI) Policy

The COI Policy requires all directors, officers and employees to annually disclose their interest in transactions and any other conflicts of interest affecting the Company through the Full Business Interest Disclosure (FBID) Form for directors and officers, and the COI Form for employees. The Company requires directors and key Management personnel to abstain from and/or inhibit themselves from participating in discussions on a particular agenda when a conflict exists or may exist between their personal interest and that of the Company.

Respecting the Rights of Shareholders

The Company recognizes the rights of all shareholders as provided in the Corporation Code of the Philippines, other pertinent laws, rules, and regulations, the Company's Articles of Incorporation, Amended By-Laws, and CG Manual.

Right to Dividends

Dividend Policy

The Company's dividend policy, as approved by the Board on February 22, 2010, and ratified by the shareholders during the May 25, 2010 ASM, calls for the payment of regular cash dividends equivalent to 50% of the audited CCNI for the year with a "look-back" basis, which allows the Company to pay special dividends beyond 50% of the CCNI for the year, subject to the availability of unrestricted retained earnings in accordance with the guidelines of the SEC.

The table below shows the cash dividends declared by the Board on common shares for 2025:

Declaration Date	Record Date	Payable Date	Rate per Share
February 24, 2025	March 12, 2025	April 4, 2025	PhP13.736
July 28, 2025	August 27, 2025	September 22, 2025	PhP11.328

Right to Participate in Decisions

The Company upholds the rights of all shareholders, including the minority shareholders, to participate in:

- changes or amendments to the Company's Articles of Incorporation or By-laws
- authorization for issuance of additional shares
- authorization of extraordinary transactions, including the transfer of all or substantially all assets that in effect result in the sale of the Company
- approval of remuneration or increase in remuneration of directors
- voting by proxy and attendance in stockholders' meeting in *absentia* or through remote communication.

Right to Vote and Participate Effectively Disclosure and Release of Notice to Annual Stockholders' Meeting

To provide shareholders enough time to examine the Company's information, the ASM Notice was posted on the Company's website on January 27, 2025. The Definitive Information Statement (DIS) was distributed to the shareholders starting April 24, 2025. Similar to all Company notices and circulars, the ASM Notice is written and published in English.

Annual Stockholders' Meeting

It is the Company's policy to encourage stockholders, including institutional and minority stockholders, to attend and actively participate in the ASM. The 2025 ASM was held on Tuesday, May 27, 2025, at 10:20 AM at the Meralco Theater, Ortigas Avenue, Barangay Ugong, Pasig City. The proceedings were likewise made available via live broadcast through the Stockholders Electronic Registration and Voting Express (SERVE). Stockholders were given opportunity to propound questions and raise concerns to the Board during the meeting.

As in the previous years, the Company facilitated participation of stockholders who cannot attend the virtually by enclosing proxy forms in the ASM Notice where they can indicate their votes on matters that are taken up during the ASM. Shareholders can download the proxy forms together with details on how to appoint a proxy from the Company's website.

Voting Procedures

The Corporate Secretary reported a quorum with the attendance of stockholders who own or hold a total of 910,775,522 shares or approximately 80.81% of the total issued and outstanding shares of the Company. An electronic system facilitated the registration and vote tabulation to ensure accuracy and reliability of information. SERVE was also enhanced to allow the stockholders to attend and actively participate via remote communication and to cast their votes for the agenda items online, including election of directors individually. Stockholders were given the opportunity to propound questions and raise concerns to the Board during the meeting.

The Corporate Secretary explained the vote tabulation procedures to the shareholders and stated that all shareholders were entitled to one vote for one share. Representatives from Reyes Tacandong & Co., an independent third party, validated the voting results for each agenda item. The Company also allowed shareholders to freely express their views and raise their questions during the ASM through the SERVE portal.

The Chairman and CEO, Chairman of the AuditCom, Chairman of the RLDC, Chairman of the Nom&Gov, Chairman of the Finance Committee, the Board, Chief Finance Officer (CFO), Corporate Secretary, Assistant Corporate Secretary other officers of the Company, and its external auditor attended the ASM to present the performance results of the Company and respond to any question from the shareholders relevant thereto. The appropriate meeting procedures and guidelines were followed before, during and after the ASM.

The Company posted the resolutions approved during the ASM on its website the following day so that non-attending shareholders may be immediately informed.

Right to Approve Mergers and Acquisitions

In the event of mergers and acquisitions requiring shareholders' approval, the Company appoints an independent party to evaluate the merits of the transaction as well as the fairness of the transaction price.

Institutional Investors

The Company recognizes the exercise of ownership rights by all shareholders, including institutional investors. The Company does not have any shareholder owning more than 50% of its total outstanding shares. The complete list of the Public Ownership Report of the Company as at December 31, 2025 was disclosed to the SEC and PSE on January 14, 2026, where approximately 73.83% of the Company's shares are held by principal and strategic shareholders, while approximately 0.06% are held by the Company's directors and officers. The remaining 26.09% of the Company's shares are held by the investing public. The Company has a straightforward structure of alliance among its affiliates, and joint ventures. There is no pyramid shareholding structure within the Group. Details of holding companies, subsidiaries, and other related companies are disclosed in the map showing relationships among the Companies within the Group.

Equitable Treatment of Shareholders

Shares and Voting Rights

The Company has only one (1) classification of shares (common shares), with each share entitled to one (1) vote.

Notice of Annual Stockholders' Meeting and Definitive Information Statement

The Notice of ASM and the Definitive Information Statement (DIS) contain, among others, the resolutions to be considered by the stockholders for each agenda item during the ASM. There is no bundling of several items into one resolution. It also provides the following information:

1. Profiles of each director seeking election/re-election, which include their age, academic qualification, date of first appointment, experience, and directorships in other listed companies;
2. External auditor seeking appointment/ re-appointment;
3. Dividend policy;
4. Amount of dividends declared and any dividends payable; and
5. Readily available proxy statements

The Notice of ASM and DIS are available on the Company's website.

Policy on Dealings in Company Shares of Stocks (Insider Trading/Blackout Period)

The Insider Trading Policy prohibits directors, officers, and employees from benefiting from information that is not generally available to the investing public through observance of a blackout period ten (10) trading days before and two (2) trading days after the release or announcement of the Company's material information or financial and operating results, during which trading in Company shares is prohibited.

The Company strictly enforces and monitors compliance with its policy on insider trading. Under the revised policy approved for implementation on December 1, 2014, and amended on July 28, 2025, directors and officers are required to disclose to the Compliance Officer the details of any trading, dealing, acquisition, disposal, or change in their beneficial ownership of the Company (MER) shares, not later than one (1) trading day after the transaction.

Protecting Minority Shareholders from Abusive Actions

The Company's policies recognize and protect the rights of the minority stockholders while pursuing corporate interest. Some salient provisions include:

- Timely, fair, and accurate disclosure of material information
- Review of existing and development of new policies that will prevent the major stockholders from gaining undue advantage over and at the expense of minority stockholders
- RPTs are disclosed in Note 23 of the consolidated financial statements
- Disinterested stockholders decide on all RPTs which require stockholders' approval

Role of Stakeholders

The Company strictly observes the principles of fairness, accountability, integrity, transparency, and honesty (FAITH) in its obligations to, and dealings with, its various stakeholders. The Company values its stakeholders and protects their rights, as mandated by relevant laws and internal policies. Sanctions and

penalties based on the provisions of the Company's Code on Right Employee Conduct (COREC) and other related policies are imposed upon violators.

Customers

The Company renders excellent service, ensures fair treatment, and provides complete and accurate information, to its customers.

Suppliers/Contractors

To ensure a mutually beneficial relationship with its suppliers and contractors, the Company prescribes clearly defined and transparent procurement and supplier selection process through the Vendor's Code of Business Conduct and Ethics and Vendor Accreditation Program. It ensures faithful compliance with all the terms and conditions of its procurement contracts and applicable laws and regulations like the ERC Procurement Guidelines for the Regulated Transmission and Distribution Assets to Regulated Entities.

Creditors

The Company faithfully complies with all loan agreements with creditors. It ensures timely payment of its loans and efficiently operates its business to assure creditors of the Company's sound financial standing and loan payment capabilities.

Environment and Community

As an advocate of sustainable development, the Company is committed to operate profitably within the bounds of its social and environmental responsibility.

Employees

The Company is committed to the development and welfare of its employees. The Company provides its employees with opportunities for learning and development, fair and competitive remuneration, and programs to promote health and safety. The Company devotes conscious effort to build a culture of excellence, knowledge sharing, personnel integrity, and development.

Employee Development Programs

Training programs and other developmental interventions including job-specific development training programs and managerial/leadership development training are implemented to enable employees and officers to acquire the technical and leadership competencies to effectively perform their jobs for their professional growth. The Company uses globally accepted training and development metrics relevant to value creation for business and society.

Details on the Company's learning and development initiatives are found on pages 89-91 of the 2025 MERALCO Sustainability Report.

Compensation Philosophy/Principles

The Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest. The Company's performance management process measures employee performance on the basis of 1) actual vs. desired results; and 2) how results were delivered in light of corporate core values. The achievement of financial and non-financial indicators is reflected in performance planning and assessment, which drives the Company's merit and incentive pay programs.

The Company implements short-term and long-term incentive programs to attract, retain, and motivate its employees. The Company compensates employees based on Company, team, and individual performance to help achieve corporate goals and targets. The Company evaluates performance beyond short- term financial measures. It also provides for short- term incentives through variable pay, such as annual performance-based bonuses and variable incentive plan, to reward individual and team performance that contribute to the achievement of corporate goals and objectives.

Long-term incentives include additional compensation conditioned on *MERALCO*'s achievement of a specified level of Consolidated Core Net Income (CCNI) approved by the Board and determined on an aggregate basis for a three (3)-year period as well as executives' attainment of a specified performance rating.

Code of Business Conduct and Ethics

The Company's Code of Business Conduct and Ethics prescribes the ethical values and behavioral standards, which all directors, officers, and employees of the Company are required to observe in the performance of their respective duties and responsibilities. Copies of the Code of Ethics are disseminated to all officers and employees.

The Company, through the Corporate Governance Office (CGO), monitors the implementation of, and compliance to, the Code of Business Conduct and Ethics. An online HR Express Corporate Governance Facility is made available to all employees for the Corporate Governance (CG) disclosures and commitment required from them. All directors, senior management, and employees are required to annually submit duly accomplished FBID Forms and/or COI Forms. They are also required to disclose gifts they received from third-party business partners through the online Gift Registry. Failure to comply with CG disclosures is sanctioned accordingly. On July 25, 2022, the Code of Ethics was amended and remade "Code of Business Conduct and Ethics."

The Management Control Policy prescribes Management's responsibility to ensure a system of checks and balances and emphasizes the importance of internal control processes as an integral part of the Company's governance system and risk management.

Effective management control is necessary to ensure that behavior and decisions of people in the organization are consistent with the Company's objectives and strategies.

Anti-corruption Programs and Procedures

The Code of Business Conduct and Ethics requires directors, officers, and employees to observe professionalism, integrity, and good faith in transactions with and obligations to the Company's customers, suppliers, business partners, regulators, creditors, competitors, and employees. It enforces practicing ethical standards of behavior and avoiding the commission of any act that may be construed as direct or indirect bribery and corruption, as defined by law, to facilitate any transaction to gain any perceived or actual favor or advantage.

The Anti-Bribery and Corruption Policy of the Company strictly prohibits corporate gift-giving to private and public entities that constitutes bribery or corruption. It cites specific instances of said corrupt practices to better guide directors, officers, and employees.

The Policy on Solicitation and Acceptance of Gifts, on the other hand, prohibits the acceptance of gifts offered and given by suppliers, contractors, and other third-party business partners to prevent all directors, officers, and employees from putting themselves in situations that could affect the fair, objective, and effective performance of their duties and responsibilities.

The Amended Suppliers Business Conduct, in turn, requires vendors to comply, at all times, with all applicable anti-bribery and corruption laws, and to not offer, accept, promise, pay, permit, or authorize bribes and kickbacks, which include giving of gifts to the Company's directors, officers or employees or other means to obtain an undue or improper advantage.

The Company's Internal Audit reviews the compliance of directors, officers, and employees to the Code of Ethics and other corporate governance related policies, including the required Company disclosures. The result of the Internal Audit review is reported to the Audit Committee (AuditCom).

The foregoing policies are available to all stakeholders through the Company's website (www.meralco.com.ph).

Effective Redress for Violation of Stakeholders' and Means of Communication/ Reporting of Illegal or Unethical Practices

The Speak Out Policy (Whistleblowing Policy) encourages the reporting of any violation of corporate governance rules or policies, questionable accounting or auditing matters, and other malfeasance committed by the Company's directors, officers, and employees.

Employees, suppliers, customers, and other stakeholders can download, through the Company website, a Whistleblower Report Form and submit the same via email or regular mail to the CGO through the contact information provided therein.

Corporate Governance Office
Manila Electric Company
(*MERALCO*)

Ground Floor, Lopez Building
Ortigas Avenue, Barangay Ugong
Pasig City, Philippines 1605

Tel: +632 1622 2798
Mobile: +632 920 948 4787
Email: cgo.staff@meralco.com.ph

The Company provides appropriate protection against retaliation to an employee/stakeholder who reports illegal/ unethical behavior. In the event of retaliation, the reporting person or witness may file a report to the CGO by filling out a Retaliation Protection Report Form.

To maintain the integrity and impartiality of the review process, the Company's whistleblowing system is managed by an independent party. Currently, the Chairman of the Nomination and Governance Committee, who is an independent director, spearheads the review of all whistleblowing reports received by the Corporate Governance Office. This includes overseeing the investigation of reported concerns, ensuring appropriate follow-up actions are taken, and safeguarding the anonymity and protection of whistleblowers in accordance with the company's Speak Out Policy and other relevant regulations.

In 2025, the Company received certain reports of alleged violations and illegal/unethical behavior. These reports were investigated and accordingly resolved based on the evidence provided and in accordance with the procedures defined in the whistleblowing policy.

Annual Corporate Governance Performance Assessments

The Company's Performance in the field of corporate governance was assessed and found to be exemplary in the ACGS which evaluates the level of CG practices of Philippine PLCs vis-à-vis regional and international standards and best practices. This was conducted by the ICD in cooperation with SEC and PSE.

Corporate Governance Advocacies and Outlook

Believing that corporate governance is about shining a light through the whole organization, the Company has an extensive good governance awareness program for its internal stakeholders. CG orientations for its new employees and roadshows for its directors, officers, employees, and suppliers are regularly held, and online CG policy information campaigns are periodically issued. The Company has also enhanced its CG compliance monitoring through a unique online HR Express Corporate Governance Facility and SharePoint platform where employees can file their annual CG commitment, conflict-of-interest disclosures and gift registry. In 2025, 100% of the Company's employees complied with these disclosure

requirements and attended the CG Refresher program containing discussions on relevant CG policies of the Company.

The Company is in the process of embedding CG policies and programs in its business responsibility unit through its line leadership to make the full transition from compliance to a culture of good governance from Top Management to the ranks in the Company in pursuit of sustainability of relationships with and interests of all stakeholders.

The Company also ensures that the governance structure and policies of subsidiaries and affiliates are aligned with its current standards. The Company aided them in the review and drafting of their own Corporate Governance manuals, policies, codes, and best practices.

The Company believes that it is necessary to maintain a culture of good governance by utilizing innovative ways in reaching out to its stakeholders in these challenging times. In line with this, the Company afforded stockholders the right to propose the holding of meetings and to include agenda items ahead of the scheduled Annual and Special Shareholders' Meeting. Also, the Company developed the Stockholders Electronic Registration and Voting Express (SERVE). SERVE allows the Company's stockholders to cast their votes online and participate in the Annual Stockholders' Meeting via remote communication. This also allows the stockholders to send their questions and clarifications regarding other agenda items.

The Company also provided online learning modules to its employees in January 2025 to strengthen the awareness of all employees on the governance policies promulgated by the Board. This provided an accessible platform that helped ensure that employees are continuously updated on the best practices in corporate governance.

In pursuit of further improvements in the discipline of governance, the Company is also actively involved with national and international CG advocates and organizations such as the ICD, and the Good Governance Advocates and Practitioners of the Philippines *("GGAPP")*. The Company participates in best practice and knowledge-sharing events organized by these organizations with CG practitioners, the Board and Senior Management, as unified by their CG principles and philosophy that responsible professionals yield ethical companies and ultimately, economically sustainable businesses.

For a full discussion on the Corporate Governance practices and achievements of *MERALCO*, please refer to the Company website: www.meralco.com.ph.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Information Statement are true, complete, and correct in all material aspects.

Signed in Pasig City, Philippines on the 1st day of June 2026.

Manila Electric Company

By:

[redacted]

William S. Pamintuan
Assistant Corporate Secretary

MERALCO

SEC Form 17-A Report

A copy of the SEC Form 17-A Report for the Fiscal Year ended December 31, 2025 ("SEC Form 17-A Report") of Manila Electric Company will be provided without charge to each person upon written request of any such person addressed to:

ATTY. SIMEON KEN R. FERRER
THE OFFICE OF THE CORPORATE SECRETARY
Manila Electric Company
Lopez Building, Ortigas Avenue,
Brgy. Ugong,
Pasig City

The SEC Form 17-A Report is posted at Manila Electric Company's website: www.meralco.com.ph and in the PSE EDGE portal at edge.pse.com.ph

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on May 4, 2026.

MANILA ELECTRIC COMPANY
By:

[redacted]

SIMEON KEN R. FERRER
Corporate Secretary

SEC Form 17-Q for the 1st Quarter of 2026

A copy of the SEC Form 17-Q for the first quarter of 2026 ("2026 1st Quarter Report") of Manila Electric Company will be provided without charge to each person upon written request of any such person addressed to:

ATTY. SIMEON KEN R. FERRER
THE OFFICE OF THE CORPORATE SECRETARY
Manila Electric Company
Lopez Building, Ortigas Avenue,
Brgy. Ugong,
Pasig City

The 2026 1st Quarter Report will also be posted at Manila Electric Company's website: www.meralco.com.ph and in the PSE EDGE portal at edge.pse.com.ph

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on May 4, 2026.

MANILA ELECTRIC COMPANY
By:

[redacted]

SIMEON KEN R. FERRER
Corporate Secretary

Annexes to the
2026 Amended Definitive Information Statement
of
Manila Electric Company

MANILA ELECTRIC COMPANY
(the "Corporation" or "MERALCO")
2026 ANNUAL STOCKHOLDERS' MEETING
AGENDA DETAILS AND RATIONALE

1. **Call to Order.** The Chairman of the Board of Directors, Mr. Manuel V. Pangilinan, will call the meeting to order.

2. **Certification of Notice and Quorum.** The Corporate Secretary, Atty. Simeon Ken R. Ferrer, will certify: (i) that copies of this Notice were sent to Stockholders of record as of April 10, 2026; and (ii) the number of attendees, whether in person or by proxy, for the purpose of determining the existence of quorum to validly transact business.

3. **Approval of the Minutes of the Annual Meeting of Stockholders held on May 27, 2025**. Copies of the draft Minutes are available for examination during office hours at the Office of the Corporate Secretary and at the website of *MERALCO*, www.meralco.com.ph. Stockholders will be asked to approve the draft Minutes and acknowledge the completeness and accuracy thereof, as recorded. Below is the text of the proposed resolution:

   "RESOLVED, that the Stockholders of the Corporation hereby approve the Minutes of the Annual Stockholders' Meeting held on May 27, 2025."

4. **Report of the Chief Executive Officer –** The Report summarizes the milestones and key achievements of *MERALCO* and provides a clear picture of how *MERALCO* reached its goals during the past year.

5. **Approval of the 2025 Audited Consolidated Financial Statements** – *MERALCO*'s audited financial statements, highlights of which are explained in the Chief Executive's Report and in the Information Statement, will be presented to the Stockholders for approval. Copies of the 2025 Audited Financial Statements, previously approved by the Board of Directors, were also submitted to the Securities and Exchange Commission and the Bureau of Internal Revenue. Below is the proposed resolution:

   "RESOLVED, that the audited consolidated financial statements for the year ended December 31, 2025 be, as the same are hereby, approved."

6. **Ratification of Acts of the Board and Management** – Ratification of the acts of the Board of Directors and Management crucial to the successful performance of the Corporation for the year 2025 will be sought from the Stockholders. Below is the proposed resolution:

   "RESOLVED, that all acts, resolutions, and deeds of the Board of Directors and Management of the Corporation from the Annual Stockholders' Meeting held on May 27, 2025 up to the date of this meeting be as they hereby are, confirmed, ratified and approved."

7. **Election of Directors for the ensuing year** – Copies of the curriculum vitae and profiles of the candidates to the Board of Directors are provided in the Information Statement for the examination of the Stockholders. For this year, the candidates to the Board are the following:

   a) Ms. June Cheryl A. Cabal-Revilla

b) Dr. Lydia B. Echauz
c) Atty. Ray C. Espinosa
d) Mr. James L. Go
e) Mr. Patrick Henry C. Go
f) Mr. Lance Y. Gokongwei
g) Mr. Jose Ma. K. Lim
h) Mr. Bernido H. Liu
i) Mr. Manuel V. Pangilinan
j) Ms. Bernadine T. Siy
k) Mr. Victorico P. Vargas

Please refer to pages 13 to 27 of the Definitive Information Statement for the profile of the nominees to the Board.

Stockholders will be given the opportunity to elect the directors who will serve for the term 2026-2027 by way of individual voting.

8. **Appointment of External Auditors** – MERALCO's external auditors for 2026-2027, tasked with the preparation of the annual audited financial statements, will be appointed by the Stockholders. This is upon favorable recommendation by the Audit Committee. Below is the text of the proposed resolution:

"*RESOLVED, that SGV & Company, Certified Public Accountants, be, as they hereby are, re-appointed as external auditors of the Corporation for the year 2025-2026.*"

Please refer to pages 58 to 59 of the Definitive Information Statement for the profile of SGV & Company.

9. **Other business that may properly be brought before the meeting** – Stockholders may be requested to consider such other issues/matters as may be raised throughout the course of the meeting.

10. **Adjournment** – After all business has been considered and resolved, the Chairman shall declare the meeting adjourned.

ANNEX "B"

LIST OF ACTS OF THE BOARD OF DIRECTORS
OF MANILA ELECTRIC COMPANY
From May 27, 2025 to March 24, 2026

May 27, 2025 (Organizational Meeting)

- Election of Chairman and Vice Chairman of the Board
- Appointment of *MERALCO* Officers
- Designation of Members to the Board Committees
- Approval of Amendment to Board Resolutions for Authorized Signatories for Court Cases, and Financial Transactions
- Approval of Schedule of the Regular Board Meetings

June 30, 2025 (Regular Board Meeting)

- Approval of the Minutes of the Previous Regular Board Meeting and Organizational Meeting (May 27, 2025)
- Approval of Credit Facilities with Bank of Commerce
- Approval of Credit Facilities with Philippine Veterans Bank (PVB)
- Approval of Credit Facilities with BDO Unibank, Inc. (BDO)
- Approval of Supply Contracts in Excess of ₱50 Million
- Approval of Renewal of Directors and Officers (D&O) Liability Insurance Policy with M Pioneer Insurance
- Board Resolutions for Authorized Signatory to Wack Wak Golf & Country Club
- Board Resolutions to Authorize Application of Miscellaneous Lease/Certificate of Registration /Permits for Quezon Power (Philippines), Ltd. Co.
- Delegation to the Executive Committee the Review and approval of the Final Terms on Project Volt

July 28, 2025 (Regular Board Meeting)

- Approval of the Minutes of the Previous Regular Board Meeting (June 30, 2025)
- Approval of 1st Half 2025 Unaudited Financial Statements and Press Release
- Declaration of 1st Half 2025 Interim Cash Dividend of ₱11.328 per share to all common stockholders at record date of August 27, 2025, payable on September 22, 2025
- Approval to Withdraw the Latest 5th Regulatory Period (5RP) Application and Refile for New Period
- Approval of Credit Facilities with Rizal Commercial Banking Corporation (RCBC)
- Approval of Amendments to the Insider Trading Policy
- Approval of *MERALCO* Top Risks for Submission to Metro Pacific Investments Corporation (MPIC)
- Approval of Supply Contracts in Excess of ₱50 Million
- Approval of Káyana's Equity Call for 2025 Operations

- Approval of Amendment to the Board Resolutions for Billing and Settlement of Supplier of Last resort (SoLR) under the Independent Electricity Market Operator of the Philippines (IEMOP)
- Approval of Amendment to the Board Resolutions for Attestation for IEMOP

September 1, 2025 (Regular Board Meeting)
- Approval of the Minutes of the Previous Regular Board Meeting (July 28, 2025)
- Approval of Supply Contracts in Excess of ₱50 Million
- Approval to Increase Participation of Philippine Veterans Bank to ₱2.5 Billion for the ₱16 Billion Loan
- Approval of Transfer 100% Stake in Customer Frontline Solutions, Inc. (CFS) from Bayad to MIESCOR

October 3, 2025 (Regular Board Meeting)
- Approval of the Minutes of the Previous Regular Board Meeting (September 1, 2025)
- Approval of Supply Contracts in Excess of ₱50 Million
- Approval of Purchase of Pasig Sector Lot at Elisco Road, Brgy. San Joaquin, Pasig City
- Appointment of Deputy Head for Human Resources, Mr. Hans Joachim R. Montenegro
- Approval of Extension of Employment of *MERALCO* Officers, i.e., Mr. Edgardo V. Carasig, Mr. Ferdinand O. Geluz, and Mr. Agapito R. Zaldarriaga
- Approval of Amendment to the Board Resolutions on Authorized Signatories for Court Cases/ Litigation

October 27, 2025 (Regular Board Meeting)
- Approval of the Minutes of the Previous Regular Board Meeting (October 3, 2025)
- Approval of 3rd Quarter 2025 Unaudited Financial Statements and Press Release
- Approval of Credit Facilities with Union Bank of the Philippines
- Approval of Supply Contracts in Excess of ₱50 Million
- Approval of Renewal of Building, Machinery and Equipment (BME) Insurance Policy with MPioneer Insurance
- Approval of Lot Acquisition for Relocation of Cainta Business Center at Felix Avenue corner Kaunlaran St. Brgy. Sto Domingo Cainta, Rizal
- Approval of Collective Bargaining Agreement (CBA) Negotiation Budget for Rank-and-File employees with MERALCO Employees and Workers Association (MEWA)
- Approval of 2026 Schedule of *MERALCO* Board Meetings, Organizational Meeting, and Annual Stockholders' Meeting
- Board Resolutions on Corporate Assignee to Valle Verde Country Club

December 3, 2025 (Regular Board Meeting)
- Approval of the Minutes of the Previous Regular Board Meeting (October 27, 2025)
- Approval of *MERALCO* 2026 Budget and 2026 – 2030 Business Plan
- Approval of Credit Facilities with Security Bank Corporation
- Approval of Credit Facilities with Union Bank of the Philippines
- Approval of Supply Contracts in Excess of ₱50 Million

- Approval of Renewal of Independent Electricity Market Operator of the Philippines (IEMOP)'s Prudential Requirement for 2026 with CTBC Bank (Philippines) and Bank of Commerce
- Approval of Power Supply Agreement between Cogent Energy and Sapang Balen Solar Sustainable Energy Corporation (SBSSEC)
- Approval of Special Christmas Grant
- Approval of Rank Conferment of *MERALCO* Executives for Vice President, First Vice President, and Senior Vice President
- Board Resolution on Authorization to Represent *MERALCO* for Business Transactions in Matters involving Bureau of Internal Revenue (BIR), Local Government Units (LGUs) and other Government Agencies
- Approval of Corporate Assignee to Wack Wack Golf and Country Club, Inc.
- Board Resolutions on Affiliated Reserve Unit Application with Armed Forces of the Philippines (AFP)
- Approval of Amendment to the Board Resolutions on Authorization for the Attestation for IEMOP

December 15, 2025 (Regular Board Meeting)

- Approval of the Minutes of the Previous Regular Board Meeting (December 3, 2025)
- Approval of Supply Contracts in Excess of ₱50 Million
- Approval of IEMOP's 2026 Prudential Requirement for Vantage Energy
- Approval of Renewal of 2026 Comprehensive General Liability (CGL) Insurance Policy with Pioneer Insurance and M Pioneer Insurance
- Approval of Renewal of 2026 Meter Assets Insurance Policy with Pioneer Insurance and M Pioneer Insurance and Lighthouse Insurance
- Board Resolutions on Authorization of Legal Counsel (Tolosa Lim & Chua Law Firm) to Represent MPower for ERC Cases filed
- Board Resolutions on Authorization (Redel Domingo and/or ACCRALAW) to File a Petition for Review on Certiorari for the Sunpower Philippines Manufacturing Ltd. ERC Petition

January 26, 2026 (Regular Board Meeting)

- Approval of the Minutes of the Previous Regular Board Meeting (December 15, 2025)
- Approval to File with the Energy Regulatory Commission (ERC) *MERALCO*'s Reset Application for the First Regulatory Period covering July 1, 2026 – June 30, 2031 (RY 2027-2030)
- Approval of Interim Extension of Power Purchase Agreement (PPA) with First Gas Power Corporation (FGPC) until June 2026
- Approval of Supply Contracts in Excess of ₱50 Million
- Approval of Renewal of 2026 Transmission and Distribution and Electronic Equipment Insurance Policies with Local, Foreign, and M Pioneer Insurance
- Approval of Renewal of National Grid Corporation of the Philippines (NGCP) Surety Bond from Prudential Guarantee Assurance Inc. (PGAI)
- Approval of M*ERALCO*'s Equity Call to Káyana to fund the acquisition of Bayad
- Approval of the Conduct and Agenda of 2026 Annual Stockholders Meeting (ASM) on June 30, 2026

- Approval of Amendment to the Board Resolutions on Authorized Signatories for Financial Transactions
- Approval of Amendment to the Board Resolutions on Authorized Signatories for Litigation/Court Cases
- Approval of Board Resolutions to Authorize MPower to transact with qualified Green Energy Options Program (GEOP) end-users and/or the Independent Electricity Market Operator of the Philippines (IEMOP) for Renewable Energy (RE) Electricity Supply Contracts
- Approval of Board Resolutions to authorize MPower to participate as Direct Member – Retail Electricity Supplier (RES) in the Wholesale Electricity Spot Market (WESM) via Retail Competition and Open Access (RCOA)

February 25, 2026 (Regular Board Meeting)

- Approval of the Minutes of the Previous Regular Board Meeting (January 26, 2026)
- Approval of FY 2025 Audited Financial Statements and Press Release
- Declaration of ₱16.672/share Final Cash Dividend to all common stockholders at record date of March 26, 2026, payable on April 20 2026
- Approval of the Recommendation of the Bids and Awards Committee-Power Supply Agreements (BAC-PSA) on the winning power supplier, Sual Power, Inc. (SPI) for the Power Supply Agreement (PSA) for RE Contract Capacity of 200 MW (AC, net)
- Approval of Audit and Non-Audit Fees
- Approval of *MERALCO* 2025 Year End Top Risks for Submission to Metro Pacific Investments Corporation (MPIC)
- Approval of Supply Contracts in Excess of ₱50 Million
- Approval of 2025 Annual Bonus Plan and Variable Incentive Plan Payout
- Approval of Proposed Budget for 2026 Salary Review Program
- Approval of Employment Extension of Mr. Ireneo B. Acuña
- Approval of Board Resolutions to Designate Additional Filers to Securities and Exchange Commission (SEC) Reports for *MERALCO*
- Approval of Amendment to Board Resolutions on Authority and Delegation for the Submission of Renewable Energy Market (REM) Facility Registration

March 24, 2026 (Regular Board Meeting)

- Approval of the Minutes of the Previous Regular Board Meeting (February 25, 2026)
- Approval of Amendments to the Related Party Transactions (RPT) Policy and the RPT Guidelines
- Approval of the Manuscript of the 2025 One *MERALCO* Integrated Report (IR)
- Approval of Supply Contracts in Excess of ₱50 Million
- Approval of MSpectrum's Funding Requirement for Power Purchase Agreement
- Approval of 2023-2025 Long-Term Incentive Plan (LTIP Cycle 5) Payout in April 2026
- Approval of Board Resolution on Authorization for Unified Legal Aid Service (ULAS) Registration

REQUIREMENTS AND PROCEDURE FOR VOTING
AND PARTICIPATION IN THE 2026 ANNUAL STOCKHOLDERS' MEETING
OF MANILA ELECTRIC COMPANY

Manila Electric Company (the "Company" or "Meralco") will conduct its Annual Stockholders' Meeting on June 30, 2026, Tuesday at 10:00 a.m. ("2026 ASM"). The Company will conduct the 2026 ASM by means of a hybrid meeting.

There will be livestreaming via https://company.meralco.com.ph/corporate-governance/voting-in- absentia and attendance in-person at the Meralco Theater, Lopez Building, Ortigas Ave., Barangay Ugong, Pasig City.

The following procedures and requirements provide the means by which the Company's stockholders can participate and vote in the 2026 ASM.

I. REQUIREMENTS FOR ELECTRONIC VOTING IN ABSENTIA

1. Stockholders of the Company as of April 10, 2026 (the "Stockholder" or "Stockholders") may exercise their right to vote on the agenda items in the 2026 ASM through electronic voting *in absentia*. Electronic voting *in absentia* affords the Stockholders an opportunity to vote during the 2026 ASM without being physically present during the meeting.

2. The exercise of this right is subject to successful registration in the Company's Stockholders Electronic Registration and Voting Express (SERVE) platform found at https://company.meralco.com.ph/corporate-governance/voting-in- absentia.

3. The registration will run from June 5, 2026 to June 27, 2026 beyond which, no Stockholders will be allowed electronically vote *in absentia* or participate in the 2026 ASM by remote communication.

4. To register, SERVE will require the Stockholder to create a Log-in Account and provide the items enumerated below to prove his/her identity and right to vote and participate in the 2026 ASM:

    a. Individual Stockholders
        i. Stockholder number
        ii. Name
        iii. Complete address
        iv. E-mail address
        v. Contact number
        vi. Digital copy of the front and back portions of the Stockholder's two (2) valid government-issued photo IDs (in JPG format)

b. Stockholders with Joint Accounts
   i. An authorization letter signed by other stockholders indicating the person among them or a third party authorized to cast the votes
   ii. Documents required under I.4.a(i) up to I.4.a(vi) for the authorized Stockholder

c. Stockholders under PCD Participant[1] /Brokers Account or "Scripless Shares"
   i. Request for Certification from the PCD Participant/Broker indicating that the shares of the beneficial owner are lodged with the PCD Nominee Corporation
   ii. A sub-proxy issued by the PCD Participant/Broker which indicates the beneficial owner as sub-proxy and the number of shares held as of record date

   Under PCD Rule 3.2.4.3, if a sub-proxy is given to a third person (anybody other than the beneficial owner including a member of the stock exchange or the stockholder's broker or dealer), a certification under oath that the written consent of the beneficial owner of the shares covered by the proxy was secured.

   iii. Secretary's Certificate showing the authority of the PCD Participant/Broker to sign the sub-proxy
   iv. Documents required under I.4.a(i) up to I.4.a(vi)

d. Corporate Stockholders
   i. Secretary's Certificate attesting to the authority of the representative to vote the shares on behalf of the corporate Stockholder
   ii. A copy of the stock certificate in the name of the corporate Stockholder
   iii. Documents required under I.4.a(i) and I.4.a(vi) for the authorized representative

The Company reserves its right to require additional personal data or documents to ensure the identity and right to vote of the Stockholder. At all times, the right of individual Stockholders to the privacy of personal data as provided in the Data Privacy Act shall be ensured.

5. The abovementioned data will be validated by the Company not later than three (3) business days from the Stockholder's receipt of an electronic mail acknowledging his/her registration.

[1] Refers to Philippine Central Depository, Inc. Participant. A PCD Participant deposits eligible securities in PCD through a process of lodgment, where the legal title to the securities is transferred and held in trust by PCD Nominee Corporation. The participants of PCD are the beneficial owners of such shares. PCD Nominee Corporation is a wholly owned subsidiary of the Philippine Central Depository, Inc.

6. A Stockholder or his/her proxy will be given access to SERVE where he/she can cast his/her votes after his/her registration is validated. A Stockholder may cast his/her votes until before the 2026 ASM is adjourned.

   The Stockholder will be required to log-in to his Account and his/her successful log-in shall be considered in the determination of quorum in the 2026 ASM. A QR code will be emailed to the Stockholders should he/she decide to physically attend the ASM.

II. ELECTRONIC VOTING REQUIREMENTS FOR STOCKHOLDERS ATTENDING IN PERSON

1. Stockholders of the Company as of April 10, 2026 who opt to attend the 2026 ASM in person may exercise their right to vote on the agenda items in the 2026 ASM through electronic voting at the meeting venue.

2. The exercise of this right is subject to successful verification of shares held as of record date. Stockholders who have lodged their shares with a broker, will need to register in SERVE and avail of electronic voting in absentia as outlined in Item I.

3. Stockholders who have opted to vote *via* proxy should follow the procedures outlined in Item VI.

4. Electronic devices will be available at the 2026 ASM venue for use by Stockholders. Onsite registration will be available on June 30, 2026 from 7:00 AM until 10:30AM, and Stockholders will be allowed to vote electronically until the end of the meeting.

5. To register, the Stockholder is required to provide the following information:

   a. Stockholder number
   b. Name
   c. Complete address
   d. E-mail address
   e. Contact number
   f. Present two (2) valid government-issued photo IDs

   The Company reserves the right to require additional personal data or documents to ensure the identity and right to vote of the Stockholder. At all times, the right of the Stockholder to the privacy of his/her personal data as provided in the Data Privacy Act shall be ensured.

6. The abovementioned data will be validated by the Company at the ASM venue.

7. Upon successful verification, the Stockholder will be given access to an electronic device where he/she can cast his/her votes before entering the Meralco Theater where the 2026 ASM proceedings will be conducted.

III. PROCEDURES FOR ELECTRONIC VOTING *IN ABSENTIA*

All agenda items indicated in the Notice of the Meeting will be set out in a digital ballot and will govern the voting for the following Stockholders:

a. registered Stockholders, or his/her proxy, who opt to vote electronically in absentia and who have followed the requirements under Item I.
b. verified Stockholders who opt to attend the 2026 ASM in person and who have followed the requirements under Item II.

1. For items other than the election of Directors, a Stockholder, or their proxy, will have the options to vote "For," "Against," or "Abstain." The vote is considered cast for all the registered Stockholder's shares.

2. For the election of Directors, the Stockholder may vote for all nominees or cumulate his vote for one or some of the nominees provided that the total number of allowable votes will not exceed the number of shares multiplied by the number of Board seats (Number of Shares x 11 Directors = Number of Voting Shares).

3. Once the Stockholder has finished voting on the agenda items, he/she can proceed to submit his/her electronic ballot by clicking the 'Submit' button. The Stockholder will then be redirected to an online webpage containing a summary of the votes cast. After the electronic ballot has been submitted, the registered Stockholder may no longer make any change.

4. The integrity and secrecy of votes shall be protected. As such, all votes received will be tabulated by SERVE and validated by the Office of the Corporate Secretary and auditors. Inspectors from an independent third party appointed by the Board will also be present to validate the results. The Corporate Secretary shall report the results of voting during the meeting.

IV. PARTICIPATION VIA REMOTE COMMUNICATION

1. Only the Stockholders, or their proxies, who have successfully registered with, and have logged in to SERVE may be given access to the ASM Live Portal, a livestream video service that will allow Stockholders to participate, or their proxies, in the 2026 ASM.

2. The Company will provide mechanisms to ensure that Stockholders have the opportunity to participate including the opportunity to hear and read the discussion substantially.

3. All questions and clarifications on the agenda items may be raised through SERVE.

4. Requests for access to the recorded webcast of the 2026 ASM may be sent to stockholder.affairs@meralco.com.ph.

V. ONSITE PARTICIPATION DURING THE ASM PROPER

1. Only the Stockholders who have been successfully verified will be allowed entry inside the Meralco Theater to attend the 2026 ASM.

2. The Company will provide mechanisms to ensure that Stockholders have the opportunity to participate including the opportunity to hear and read the discussion substantially.

3. Stockholders may submit their questions to stockholder.affairs@meralco.com.ph. They may also submit their questions after completing the verification process.

4. Submitted questions or comments which were received but were not entertained during the 2026 ASM due to time constraints will be addressed separately by the Company.

VI. VOTING BY PROXY

1. For individual Stockholders holding certificated shares, please accomplish the proxy form provided together with this Information Statement.

2. For Stockholders holding scripless shares, or shares held under a PCD Participant or Broker, please accomplish the proxy form provided together with this Information Statement. Stockholders must also coordinate with the PCD/Participant/Brokers to secure the following documents:

    a. Certification from the PCD Participant/Broker indicating that the shares of the beneficial owner are lodged with the PCD Nominee Corporation;

    b. A sub-proxy issued by the PCD Participant/Broker which indicates the beneficial owner as sub-proxy and the number of shares held as of record date.

       Under PCD Rule 3.2.4.3, if a sub-proxy is given to a third person (anybody other than the beneficial owner including a member of the stock exchange or the stockholder's broker or dealer), a certification under oath that the written consent of the beneficial owner of the shares covered by the proxy was secured; and

    c. Secretary's Certificate showing the authority of the PCD Participant/Broker to sign the sub-proxy.

3. For Corporate Stockholders, please accomplish the proxy form provided together with this Information Statement. The proxy form must be submitted together with the Secretary's Certificate attesting to the authority of the representative to vote the shares on behalf of the Corporate Stockholder.

The Chairperson of the 2026 ASM, by default, is authorized to cast the votes pursuant to the instructions in the proxy.

The accomplished proxy form and additional documents required must be submitted to and received at the principal office of Meralco located at the G/F Lopez Building, Ortigas Avenue, Barangay Ugong, Pasig City, on or before June 2, 2026, 5:00 p.m., addressed to the attention of the Corporate Secretary c/o Corporate Governance and Compliance office.

Soft copies of the proxy form(s) and required documents can be sent in advance via email to stockholder.affairs@meralco.com.ph.

Validation of proxies is set on June 16, 2026, 10:00 a.m. at the Meralco Compound, Ortigas Avenue, Brgy. Ugong, Pasig City

MINUTES OF THE ANNUAL MEETING OF STOCKHOLDERS OF THE MANILA ELECTRIC COMPANY HELD ON MAY 27, 2025 AT THE MERALCO COMPOUND, ORTIGAS AVENUE, PASIG CITY

CALL TO ORDER

The 2025 Annual Stockholders' Meeting of the Manila Electric Company ("Company") was called to order at 10:20 a.m. on May 27, 2025 by the Chairman of the Board, Mr. Manuel V. **Pangilinan, who presided over the same at the Company's principal office at MERALCO** Compound, Ortigas Ave., Brgy. Ugong, Pasig City, Metro Manila. The Corporate Secretary, Atty. Simeon Ken R. Ferrer, took the minutes of the meeting.

The 2025 **Annual Stockholders' Meeting was conducted** face to face at the MERALCO Theater, Lopez Building, Ortigas Avenue, Pasig City, and streamed live through the SERVE platform.

The Chairman introduced the other members of the Board of Directors, namely: Ms. June Cheryl A. Cabal-Revilla, Dr. Lydia B. Echauz, Atty. Ray C. Espinosa, Messrs. Patrick Henry C. Go, James L. Go, Jose Ma. K. Lim, Pedro Emilio O. Roxas, Victorico P. Vargas, and retired Chief Justice Artemio V. Panganiban, who were physically present, and Mr. Lance Y. Gokongwei, who joined by way of live streaming.

Also introduced were the Chief Finance Officer, Ms. Betty C. Siy-Yap, the Corporate Secretary, Atty. Simeon Ken R. Ferrer, the Assistant Corporate Secretary, Atty. William S. Pamintuan, the Chief Operating Officer, Mr. Ronnie L. Aperocho, and Meralco Pow**erGen's** President and Chief Executive Officer, Mr. Emmanuel V. Rubio. Other corporate officers and

executives of the C**ompany, as well as the Company's external auditors, Sycip Gorres Velayo** and Co. (SGV & Company), who joined the meeting onsite, were likewise acknowledged.

Upon successful online registration, stockholders were provided with access to the **Company's SERVE platform, which allowed them to vote electronically on the matters passed upon in the meeting and to elect the Company's Board of D**irectors for fiscal year 2025-2026.

The proposed resolutions for the meeting were contained in the Definitive Information Statement, a copy of which was uploaded in MERALCO**'s** website, making it accessible to all stockholders. The proposed resolutions were also posted in **MERALCO' website,** www.meralco.com.ph, for reference. **This practice is in line with the Company's commitment** to good governance and its desire to encourage broader participation of its stockholders in deciding fundamental matters affecting the Company.

Thereafter, the Corporate Secretary read the ground rules and voting procedure, set forth in the Definitive Information Statement and in the rationale and explanation of the agenda, **which form part of the Notice of Annual Stockholders' Meeting**.

SERVICE OF NOTICE

The Corporate Secretary reported that written notice of the meeting with the agenda **("Notice" or "Notices")** was served to all stockholders of record as of March 7, 2025. Stockholders who have provided their email address were furnished a copy of the Notice through electronic mail. The Notice was also published in the BusinessMirror and Philippine Star, print and on-line editions, on May 5 and 6, 2025 **and posted in the Company's website**.

The Notices were released through various means prior to the annual stockholders meeting in accordance with applicable laws such as the Revised Corporation Code, Securities Regulation Code, By-Laws of the Company, and the internal guidelines for participation in meetings in person, *via* remote communications and for voting *in absentia*, which are

embodied in the Company's Definitive Information Statement as approved by the Securities and Exchange Commission (SEC).

The rationale and explanation for each agenda item which requires stock**holders'** approval were provided in the Notice.

DETERMINATION OF QUORUM

The Corporate Secretary reported and certified that there was a quorum for the meeting, as stockholders who own or hold a total of 910,775,522 shares or 80.81% of the 1,127,092,509 issued and outstanding common shares of the Company entitled to vote, were represented in person, by proxy or through remote communication.

APPROVAL OF THE MINUTES OF STOCKHOLDERS' MEETING HELD IN 2024

The Chairman submitted, for approval, the Minutes of the Annual Stockholders Meeting held on May 28, 2024. Copies of the minutes have been made available during office **hours at the Office of the Corporate Secretary and posted in the Company's website within** twenty-four (24) hours from the conduct of such meeting. The minutes is also reflected in the Definitive Information Statement submitted to the SEC.

Ms. Ma. Cynthia Soluren moved to dispense with the reading of the Minutes of the Annual Sto**ckholders' Meeting held** on May 28, 2024, to approve the same since copies of the Minutes have previously been made available, and to adopt Resolution No. 2025-1. The motion was duly seconded.

The Minutes was approved by stockholders representing more than a majority of the total voting shares, present and represented at the meeting, as detailed in the following table:

VOTES	NUMBER OF VOTES CAST (1 share = 1 vote)	PERCENTAGE OF VOTING
1. Approved	908,484,839	80.60%
2. Against	0	0.00%
3. Abstained	1,464,762	0.13%

The following resolution was thus adopted and approved as Resolution 2025-1:

"RESOLVED, that the Stockholders of the Corporation hereby approve the Minutes of the Annual Stockholders' Meeting held on May 28, 2024**."**

REPORT OF THE CHIEF EXECUTIVE OFFICER

The Chairman requested **the MERALCO's Chief Operating Officer, Engr. Ronnie L.** Aperocho, and MERALCO PowerGen**'s** (MGEN) President and Chief Executive Officer, Mr. Emmanuel V. Rubio, to present the significant milestones and key achievements of the Company for the past year 2024.

Engr. Ronnie L. Aperocho presented the 2024 Distribution Utility (DU), Retail Electricity Supplier (RES), and Non-Power Subsidiaries Performance Highlights, summarized below:

- Franchise Renewal: MERALCO successfully secured the renewal of its legislative franchise for another 25 years, a major milestone that reflects the trust and confidence **of the public and government in the Company's service and commitment** to nation-building.
- Financial Performance: MERALCO posted a record-high Consolidated Core Net Income (CCNI) of ₱45.1 billion, exceeding initial profit targets and marking the Company's best operational performance to date.
- Energy Sales: Total energy sales reached 54,325 GWh, a 6.4% increase year-on-year, driven by sustained demand growth, warmer weather due to El Niño, and consistent energization activities despite multiple typhoons in the second half of the year.

- Customer Growth: MERALCO energized its 8 millionth customer in 2024, adding 250,000 new customers through streamlined and customer-centric energization processes.
- System Loss and Network Investments:
    - Maintained system loss well below the regulatory cap, resulting in ₱5 billion in customer savings
    - Invested over ₱24 billion in capital expenditures to expand, upgrade, and storm-harden the distribution network
    - Constructed new substations, upgraded lines, and modernized infrastructure to support emerging townships and improve grid resilience
- Reliability Performance: Achieved all-time best performance in System Average Interruption Frequency Index (SAIFI) and System Average Interruption Duration Index (SAIDI), reflecting fewer and shorter power interruptions
- Digital Transformation:
    - Achieved a Customer Satisfaction Score of 8.11
    - Enhanced the My Meralco App, providing 24/7 access to a full suite of services including applications, billing, and customer support
- Advanced Metering Infrastructure (AMI):
    - Completed preparatory activities for the large-scale rollout of smart meters
    - AMI to enable real-time monitoring of electricity usage, faster outage detection, and improved grid visibility
    - Targeting deployment of 11 million smart meters over the next 10 years
- Distributed Energy Resources: Upgraded infrastructure to accommodate rooftop solar and other intermittent renewable sources, enabling two-way energy flow and supporting customer-owned generation

- Electric Vehicles (EV):
    - **Converted 6% of MERALCO's fleet to EVs (150+ units)**
    - Aiming for 25% fleet electrification by 2030 under the Green Mobility Program
    - The grid being prepared to support residential and commercial EV charging infrastructure
- Nuclear Energy Development:
    - Launched the Nuclear Energy Strategic Transition (NEST) program to support the integration of nuclear energy into the national mix
    - Introduced FISSION, a scholarship and training program for Filipino nuclear engineers; five scholars sent to top universities in the U.S. and China in 2024
- Retail Electricity Supply (RES):
    - Strong performance driven by customer growth, strategic market execution, and higher trading gains
    - Delivered competitively priced power to contestable customers with significant bottom-line contributions
- Non-Power Subsidiaries:
    - MIESCOR: Led major construction and engineering projects, including the MTerra Solar + Battery Project
    - MSERV: Conducted over 200 energy audits to help businesses improve efficiency and reduce emissions
    - MSpectrum: Installed ~80 MW of solar PVs; plans to scale capacity more than fivefold
    - Movem: Deployed 60+ fast EV chargers across MERALCO facilities; expanding EV infrastructure
    - Radius: Expanded digital connectivity through strategic partnerships

  - Bayad: Transitioned into a full digital financial ecosystem, enhancing customer access to financial services

- Corporate Social Responsibility:
  - Energized 4 remote public schools and 2 rural health centers
  - Installed solar-powered irrigation pumps and community water systems in underserved areas
  - **Reinforced MERALCO's belief that access to energy is a key** enabler of opportunity

In closing, Engr. Aperocho emphasized MERALCO's continued commitment to innovation, customer empowerment, and nation-building, guided by the value of *malasakit* - by service rooted in care and compassion.

Mr. Emmanuel V. Rubio next presented the Powering Progress, Enabling Possibilities: **MGEN's Journey** Toward a Brighter Energy Future:

- Financial Performance: MGEN posted a Consolidated Core Net Income of ₱10.9 billion, driven by operational excellence and strategic participation in the co-optimized energy and ancillary services market, particularly in the Visayas grid.
- Generation and Capacity:
  - Delivered 15,296 GWh, a 7% increase year-on-year
  - Maintained 2,436 MW net sellable capacity across the Philippines and Singapore
- Business Unit Highlights:
  - Global Business Power (MThermal): Delivered 5,652 GWh; CCNI rose from ₱700 million to ₱3.5 billion
  - San Buenaventura Power Ltd. (SBPL): Generated 3,205 GWh (+36%); ₱3.2 billion core income

  - PacificLight (PLP), Singapore: Delivered 5,820 GWh; ₱13.3 billion core income following plant upgrades
  - MGreen (Renewables): Supplied 619 GWh (+77% YoY); maintained 93%+ plant availability
- MTerra Solar Project:
  - **World's largest integrated solar + battery sto**rage facility (3,500 MWp solar + 4,500 MWh BESS)
  - Covers 3,500 hectares in Nueva Ecija and Bulacan; expected to power 2.4 million households and displace 4.3 million tons of CO_2 annually
  - Certified as an Energy Project of National Significance (DOE) and awarded Green Lane Certification (BOI)
  - Secured ₱150 billion loan and $600 million equity investment from Actis (largest greenfield infrastructure investment in PH history)
  - Community initiatives include solar streetlights, job training for 630 scholars, and local marketplaces
  - As of April 2025: 42% completion, nearly 5,000 workers on-site, with Phase 1 operations targeted for early 2026
- Renewable Energy Expansion:
  - Inaugurated three new solar plants totaling 152.7 MWac in Nueva Ecija, Isabela, and Rizal
  - Upcoming 450 MW solar plant in Pangasinan with Vena Energy (operational by 2026)
  - MGEN expected to exceed 1,500 MW RE target by 2027, three years ahead of schedule

- Liquefied Natural Gas (LNG):
    - Holds 40.2% stake in SPPC and EERI, and in an LNG terminal supplying ~18% **of Luzon's energy needs**
    - In Singapore, PLP to build a 600 MW hydrogen-ready CCGT plant (operational by 2029) and launch 100 MW Fast Start capacity in Q2 2025

Mr. Rubio concluded by reaffirming MGEN's transformation into a future-ready powerhouse, committed to balancing energy security, affordability, and sustainability.

The Chairman thanked Mr. Aperocho and Mr. Rubio for the presentation of the **Company's milestones and achievements** for 2024.

On behalf of the Board and Management, the Chairman thanked the stockholders for their invaluable support in the past and hoped for their continuous support for a better year in 2025.

The Chairman reminded the stockholders that if any stockholder has questions or concerns on the reports, they may raise them later in the Question & Answer portion, which will take place before Item No. 11 of the agenda under the heading **– "Other Matters"**.

APPROVAL OF THE 2024 AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The next item on the agenda was the approval of the Audited Consolidated Financial Statements for the period ended December 31, 2024, the highlights of which were previously **explained in the Chief Executive's Report and in the Information Statement.**

Mr. Karl William Soriano moved that **the Company's Audited** Consolidated Financial Statements for the year ended December 31, 2024 as approved by the Board of Directors and presented to the stockholders be approved and for this purpose, Resolution No. 2025-2 be adopted. The motion was seconded by a stockholder.

A**ccordingly, the Company's Audited** Consolidated Financial Statements for the period ended December 31, 2024 was approved by stockholders representing at least a majority of the total voting shares, present and represented at the meeting, as detailed in the following table:

VOTES	NUMBER OF VOTES CAST (1 share = 1 vote)	PERCENTAGE OF VOTING
1. Approved	908,203,102	80.58%
2. Against	138,258	0.01%
3. Abstained	1,585,041	0.14%

The following resolution was thus adopted and approved as Resolution 2025-2:

> **"RESOLVED, that the audited** consolidated financial statements for the year ended December 31, 2024 be, as the same are **hereby, approved."**

RATIFICATION OF ACTS OF THE BOARD OF DIRECTORS AND MANAGEMENT

The next item on the agenda was the ratification of acts, resolutions, and deeds of the Board of Directors, its Committees and Management of the Company from the Annual Stoc**kholders' Meeti**ng held on May 28, 2024 up to this meeting.

Upon the Chairman's request, the Corporate Secretary briefly explained that Management is seeking the ratification all acts, resolutions and deeds of the Board, its Committees as well as all acts of Management since the May 28, 2024 **Annual Stockholders'** Meeting until this meeting. These acts are provided for in the minutes of the meetings and include, among other things, the approval of contracts and agreements, projects and investments, treasury matters, dividend declarations, and disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange.

Acts of Management pertain to those taken to implement the resolutions, directives and instructions of the Board and its Committees and those done in the regular course of the **Company's business.**

On motion made by Ms. Rose Anne Sy and duly seconded, all acts, resolutions, and deeds of the Board of Directors, its Committees and Management of the Company from the **Annual Stockholders' Meeting held** on May 28, 2024 up to this meeting were ratified by the stockholders representing at least a majority of the total voting shares, present and represented at the meeting, as detailed in the following table:

VOTES	NUMBER OF VOTES CAST (1 share = 1 vote)	PERCENTAGE OF VOTING
1. Approved	907,543,263	80.52%
2. Against	761,547	0.07%
3. Abstained	1,667,991	0.15%

The following resolution was thus adopted and passed as Resolution 2025-3:

"RESOLVED, that all acts, resolutions, and deeds of the Board of Directors and Management of the Company from the Annual Stockholders' Meeting held on May 28, 2024 up to the date of this meeting be as they hereby **are, confirmed, ratified and approved."**

CHANGE IN THE SCHEDULE OF THE ANNUAL STOCKHOLDER'S MEETING AND CORRESPONDING AMENDMENT OF ARICLE 1 OF THE BY-LAWS OF THE CORPORATION

The next item in the agenda was the change in the schedule of the Annual **Stockholders' Meeting and the** Corresponding Amendment of Article 1 of the By-Laws of the Corporation.

Upon the Chairman's request, the Corporate Secretary briefly explained that under the **Company's** By-Laws, the **Company's** Annual **Stockholders'** Meeting is scheduled on the last Tuesday of May each year. The Management proposes that the schedule be changed to the last Tuesday of June each year to enable the Company to comply with the Revised Securities Regulation Code Rule 68 Part II, Item 5(C)(i) and (ii), which requires publicly listed companies to include a separate *Unaudited Interim Consolidated Financial Statements* and *Management Discussion and Analysis* as of end of the most recent quarter in its Information Statement. Compliance with this requirement is a must if the date of the annual **stockholders'** meeting is

beyond one hundred thirty-five (135) days from the end of the publicly listed **company's** fiscal year.

The proposed amendment has been approved by the Board during its regular meeting on January 27, 2025.

On motion made by Ms. Freedom Ian Fe Navidad, the amendment of Section 1, Article **1 of the Company's By-Laws on the change in the Company's Annual Stockholders' Meeting** from the last Tuesday of May each year to the last Tuesday of June each year was approved and for this purpose, the By-laws of the Corporation will be correspondingly amended, and Resolution No. 2025-4 adopted. The motion was seconded by a stockholder.

Accordingly, the **amendment of Section 1, Article 1 of the Company's By**-Laws on the **change in the Company's Annual Stockholders' Meeting from the last Tuesday of May each** year to the last Tuesday of June each year was approved by stockholders representing at least a majority of the total voting shares, present and represented at the meeting, as detailed in the following table:

VOTES	NUMBER OF VOTES CAST (1 share = 1 vote)	PERCENTAGE OF VOTING
1. Approved	908,490,107	80.60%
2. Against	25,176	0.00%
3. Abstained	1,570,521	0.14%

The following resolution was thus adopted and approved as Resolution 2025-4:

> **"RESOLVED, as recommended by the Board of Directors during its** regular meeting on January 27, 2025, to approve the amendment of Article 1, Section 1 of the By-Laws of the Corporation, such that as amended, Article 1, Section 1 shall henceforth read as follows (changes are underlined):
>
> > SECTION 1. ANNUAL MEETING – The annual meeting of the stockholders shall be held on the last Tuesday of <u>June</u> in each year at the principal office of the Company, or at any place in the city where the principal office of the Corporation is located as may be fixed by the Board of Directors of the Chairman of the Board and specified in the notice, at such day and hour as the Board or the Chairman shall **direct."**

INCREASE IN THE PER DIEM OF DIRECTORS

The next item in the agenda was the increase in the per diem of the Board members.

Upon the Chairman's request, the Corporate Secretary briefly explained that under the Revised Corporation Code, stockholders representing at least a majority of the outstanding capital stock may grant the directors a per diem and approve the amount thereof at a regular or special meeting.

Management sought the approval of the proposed new per diem rates for the attendance of each director, i.e., Two Hundred Thousand Pesos (PhP200,000) for every attendance at a board meeting and Fifty Thousand Pesos (PhP50,000) for every attendance at a board committee meeting. The proposal for the new per diem rates aims to align the remuneration of the directors with the current market standards and industry benchmarks, and reflects the **Company's** recognition of the **Board's** critical role in sustaining corporate performance and driving long-term value for all stakeholders.

Mr. Angelo Manlangit moved for the approval of the increase of the per diem of directors from PHP140,000 to PhP200,000 for their attendance at every board meeting and from PhP24,000 to PhP50,000 for their attendance at every committee meeting as presented and for this purpose, Resolution No. 2025-5 be adopted. The motion was seconded.

Accordingly, the increase in the per diem rates of the board members from PHP140,000 to PhP200,000 for their attendance at every board meeting and from PhP24,000 to PhP50,000 for their attendance at every committee meeting has been approved by stockholders representing at least a majority of the total voting shares, present and represented at the meeting, as shown in the following table:

VOTES	NUMBER OF VOTES CAST (1 share = 1 vote)	PERCENTAGE OF VOTING
1. Approved	908,096,398	80.57%
2. Against	132,511	0.01%
3. Abstained	1,728,072	0.15%

The following resolution was thus adopted and approved as Resolution 2025-5:

"RESOLVED, that the new per diem rate for each board and board committee meeting attended by each director be as it is hereby approved as follows:

Per Diem for Attendance in each Board Meeting = PhP200,000.00

Per Diem for Attendance in each Board Committee Meeting = PhP50,000.00

RESOLVED, finally that the new per diem rates shall take effect on June 1, **2025."**

ELECTION OF DIRECTORS FOR THE ENSUING YEAR

The next item in the agenda was the election of the members of the Board of Directors **for the ensuing year. The Company's Articles of Incorporation provide for eleven (11) seats in** the Board. The Compa**ny's s**tockholders, including stockholders in the minority, were given the opportunity to nominate candidates for election to the Board of Directors.

A "Call for Nomination" was also posted on **the Company's website last** January 27, 2025 calling for submission of the proposed agenda and nomination of qualified candidates on or before March 7, 2025.

The Chairman requested the Chairman of the Nomination and Governance Committee, Mr. Pedro Emilio O. Roxas, and the Corporate Secretary, Atty. Simeon Ken R. Ferrer, to explain the matter and give the voting results.

The Chairman of Nomination and Governance Committee discussed that in accordance with the Company**'s By**-Laws and Manual of Corporate Governance, as well as the Revised Corporation Code and the Securities Regulations Code, the following stockholders **were duly nominated as members of the Company's Board of Directors to serve as such for** the ensuing term 2025 - 2026:

Name	Nominated by
1. June Cheryl A. Cabal - Revilla	Beacon Electric Asset Holdings, Inc. and Metro Pacific Investments Corporation
2. Lydia B. Echauz	Ma. Teresita Te Bueno
3. Ray C. Espinosa	Beacon Electric Asset Holdings, Inc. and Metro Pacific Investments Corporation
4. James L. Go	JG Summit Holdings, Inc.
5. Patrick Henry C. Go	JG Summit Holdings, Inc.
6. Lance Y. Gokongwei	JG Summit Holdings, Inc.
7. Jose Ma. K. Lim	Beacon Electric Asset Holdings, Inc. and Metro Pacific Investments Corporation
8. Artemio V. Panganiban	Ma. Teresita Te Bueno
9. Manuel V. Pangilinan	Beacon Electric Asset Holdings, Inc. and Metro Pacific Investments Corporation
10. Pedro Emilio O. Roxas	Ma. Teresita Te Bueno
11. Victorico P. Vargas	Beacon Electric Asset Holdings, Inc. and Metro Pacific Investments Corporation

Dr. Echauz, Retired Chief Justice Panganiban, and Mr. Roxas were nominated as independent directors.

The Corporate Secretary then explained **that under the Company's Corporate** Governance Manual, as well as SEC Code of Corporate Governance, **a company's independent** director shall serve for a maximum cumulative period of only nine (9) years. At present, retired Chief Justice Panganiban and Mr. Roxas have both served the Company as independent directors for more than nine (9) years. While this may be the case, the rules nonetheless allow for the extension of term where meritorious justification exists.

Management recommended the retention of Retired Chief Justice Panganiban and Mr. Roxas as independent directors due to their extensive expertise and deep institutional **knowledge, which are vital for the Company's stability and growth during this pivotal time.** Their leadership w**as instrumental in securing Congress' approval of the Company's 25**-year franchise renewal, ensuring reliable and efficient electricity distribution while driving growth and innovation.

Additionally, Retired Chief Justice Panganiban and Mr. Roxas uphold robust corporate governance principles, reinforcing ethical leadership, transparency, and stakeholder

confidence. Both directors have demonstrated strategic acumen, regulatory expertise, and strong stakeholder relationships, which have proven to be essential in navigating complex processes like the franchise renewal and the rate reset filing with the Energy Regulatory Commission. Their forward-**thinking approach aligns with the Company's long**-term goals, particularly in diversifying investments in renewable energy.

Their continued presence on the Board will provide the steady leadership and strategic insight needed to navigate future challenges and opportunities, ensuring the Company remains well-positioned for sustained success.

The Chairman of Nomination and Governance Committee reported that the Committee had evaluated the qualifications of the nominees, including the nominees for Independent Directors, and determined that they have all the qualifications and none of the disqualifications to serve as directors of the Company. All these nominees have given their consent to their nomination.

The profiles of all the nominees to the Board of Directors, providing their age, qualifications, experience, date of first appointment to the Board of the Company, and directorships in other publicly-listed companies or subsidiaries, whether listed or non-listed within the group of companies, were made available as part of the Definitive Information Statement that were distributed to all the stockholders.

The Corporate Secretary announced the votes obtained by each of the nominees, as follows:

Name	Votes
1. June Cheryl A. Cabal-Revilla	858,165,353
2. Ray C. Espinosa	869,742,649
3. James L. Go	855,554,319
4. Patrick Henry C. Go	856,019,432
5. Lance Y. Gokongwei	856,080,976
6. Jose Ma. K. Lim	858,099,194
7. Lydia B. Echauz*	906,811,397
8. Artemio V. Panganiban*	870,542,781
9. Manuel V. Pangilinan	894,895,880

Name	Votes
10. Pedro Emilio O. Roxas*	885,951,698
11. Victorio P. Vargas	858,531,468
**Independent Director*	

Based on the report of the Corporate Secretary on the votes garnered by the eleven (11) nominees from the stockholders, Ms. Ethel Joy Arriola-Mejia moved that all the nominees be declared duly elected directors of the Company for the ensuing year, until their successors are elected and qualified and for this purpose, Resolution No. 2025-6 be adopted. The motion was duly seconded.

The following resolution was thus adopted and passed as Resolution 2025-6.

> **"RESOLVED, that the following nominees to the Board, having** received sufficient number of votes from the stockholders present and represented at the meeting, are hereby declared duly elected members of the Board of Directors to serve for the ensuing year and until their successors are duly elected and qualified:
>
> Ms. June Cheryl A. Cabal - Revilla
> Dr. Lydia B. Echauz
> Atty. Ray C. Espinosa
> Mr. James L. Go
> Mr. Patrick Henry C. Go
> Mr. Lance Y. Gokongwei
> Mr. Jose Ma. K. Lim
> (Ret.) Chief Justice Artemio V. Panganiban
> Mr. Manuel V. Pangilinan
> Mr. Pedro Emilio O. Roxas
> Mr. Victorico P. Vargas

The Chairman acknowledged the duly elected members of the Board of Directors for the ensuing Year 2025 – 2026. He noted that Dr. Echauz, Retired Chief Justice Panganiban and Mr. Roxas are elected as independent directors.

The Chairman thanked the stockholders for their votes and support.

APPOINTMENT OF EXTERNAL AUDITORS

The next order of business was the appointment of external auditor for the Company.

The Chairman requested the Chairman of the Audit Committee, retired Chief Justice Artemio V. Panganiban, to advise the stockholders on this matter and for the Corporate Secretary to give the voting results on the proposed resolution for this item.

Retired Chief Justice Panganiban stated that for the information of the stockholders, the Company had paid an audit fee of about Twenty-Four Million Eight Hundred Thousand Pesos (PhP 24,800,000.00) to the incumbent external auditors, SyCip Gorres Velayo & Co., for the year ended December 31, 2024.

The Audit Committee had evaluated their performance for the past year and was satisfied with their performance. As such, the Audit Committee and the Board of Directors hereby endorse the re-appointment of SyCip Gorres Velayo & Co. as External Auditor of the Company for the ensuing year.

On motion made by Mr. Norlee Alban, and seconded by a stockholder, SyCip Gorres Velayo & Co., Certified Public Accountants, will **be retained as the Company's external auditor** and for this purpose, Resolution No. 2025-7 will be adopted.

The Corporate Secretary reported that the re-appointment of the **Company's external** auditor was approved by the stockholders representing a majority of the voting shares, present and represented at the meeting and eligible to vote. The details of the votes are, follows:

VOTES	NUMBER OF VOTES CAST (1 share = 1 vote)	PERCENTAGE OF VOTING
1. Approved	907,778,111	80.54%
2. Against	611,518	0.05%
3. Abstained	1,559,965	0.14%

The following resolution was thus adopted and passed as Resolution 2025-7:

> **"RESOLVED, that** SGV & Company, Certified Public Accountants, be, as they hereby are, re-appointed as external auditors of the Company for the year 2025-2026**."**

QUESTIONS & ANSWERS

The Chairman opened the Question & Answer portion of the meeting, stating that Management would now entertain questions or clarifications on issues or concerns that the **Stockholders may have with respect to the Company's performance.** He said that the Company would first address questions submitted through the SERVE platform, via email, and at the registration area, followed by questions from the floor.

The Chairman requested the Assistant Corporate Secretary, Atty. William S. Pamintuan, to read the questions from the stockholders.

Atty. Pamintuan facilitated the reading of the questions that were sent through SERVE platform and via email, as well as those that were submitted at the Registration Area and called on the appropriate officers to respond.

1. Stockholder Ms. Generosa B. Balocating: *"I believe and have faith in the Board of Directors of MERALCO but the often-publicized clamor by the so-called consumer group for the ERC to look into MERALCO's costs of electricity is worrisome. What can be done to address this issue? Thank you very much."*

   Mr. Ferdinand O. Geluz, Chief Revenue Officer, thanked everyone for their continued trust and faith in the Board of MERALCO.

   Mr. Geluz explained that as a heavily regulated entity, MERALCO only charges rates duly approved by the ERC. The generation and transmission charges comprise the bulk of the charges or about 70% of the electric bill. Relative to this, MERALCO ensures that it faithfully complies with the competitive selection process, including the tedious process of ERC approval before it can pass on generation costs to **MERALCO's** customers.

   On the other hand, the distribution charge which goes to MERALCO only accounts for about 15% to 20% of the total electricity bill. It should be considered that MERALCO has not had a rate increase for more than 10 years and has in fact had reductions in its charges and refund to customers in the past years. Changes in power rates to consumers have been mainly due to pass-through charges, i.e., increases in generation and transmission charges. MERALCO remains committed to only impose just and reasonable charges duly approved by the ERC and after compliance with due process.

   MERALCO has utilized various communication channels including social media to explain the different rate components to its consumers. It has also engaged its customers into Company rate programs to help them manage and use electricity efficiently.

2. Stockholder Mr. Ruel Benemerito: *"Given the renewal of the franchise, how has the company, as a whole, reduced its carbon footprint and how does it employ strategies to ensure unhampered logistical supply including but not limited to diversifying existing material suppliers?"*

   Mr. Raymond B. Ravelo, Chief Sustainability Officer, responded that to reduce the **Company's** carbon footprint, the MERALCO**'s Long**-term Sustainability Strategy (LTSS) was crafted and implemented. This outlines **the Company's** just, orderly, and affordable transition to clean energy. MERALCO has already initiated its low-carbon transition through major investments in Renewable Energy, as it drives to be coal-free by 2050.

   MERALCO has also put in place a number of initiatives to spur its decarbonization efforts. Among these is the Green Mobility or vehicle electrification program. To date, MERALCO has rolled out over 150 electric vehicles representing 6% of **the Company's** fleet. The target is to increase this to as high as 25% by 2030.

   Sustainability also remains an integral part of **the Company's** supply chain. To ensure continuity of supply, The Company has adopted several approaches, such as acquiring critical supply from regional and local suppliers, enabling not only shorter lead times and improved costs, but also reduced emissions.

   Inventory concerns are addressed through early procurement of critical items, increasing safety stock, expanding supplier base, and in some cases, entering into multi-year contracts.

3. Stockholder Mr. Ramon D. Masa Jr.: ***"What would be the impact on businesses if*** *Senator Marcoleta's proposed 12% government electricity subsidy and exemption for* ***the poorest from payment were implemented?"***

   Ms. Betty C. Siy-Yap, Chief Finance Officer, explained that while the details of the proposed bill are still being developed, Management can only provide a general view based on current costs of or charges for electricity.

   Off-hand, it seems, the initiative aims to reduce electricity costs or exempt the poorest from payment of electricity, among others.

   Currently, in terms of the power bill components, taxes account for over 10% of every peso paid by customers and all amounts are ultimately remitted to the appropriate government agency either by MERALCO as the DU or generation companies for the pass-through components.

   Certainly, removing 10% from the bill will have an impact to households and certain businesses in terms of lower costs for the household or lower operating expenses of businesses, increased disposable income, and improved business competitiveness, among others. However, there may be macroeconomic and fiscal impact. And eventually, some trade-offs and other considerations to address the different impacts.

   On the matter of subsidies or exemption from payment for the poorest, the Company is currently implementing a law that grants a "lifeline" subsidy to certain qualified consumers with consumption of 100 kilowatt-hours or less. So, until any bill passes into a law and the details are seen, Management can only speak in general terms.

4. Stockholder Ms. Ma. Lourdes Manlugon: ***"With the recent update that MTerra Solar is*** *on track to commence operations by early 2026, is the Company now considering potential expansion of the project in the future? Additionally, are there any other large-scale renewable energy initiatives current****y in development?"***

Mr. Emmanuel V. Rubio, MGEN President and CEO, replied that MTerra Solar is on track to commence first phase of operations by early 2026 with the second phase to be completed on 3rd Quarter of 2027. Management is very encouraged by the progress and the scale of what this project represents – not just for MGEN, but for the Philippine energy landscape as a whole.

The Company is excited with the developments now at the site in Bulacan and Nueva Ecija — particularly in San Miguel, Bulacan; Gapan; Peñaranda; and General Tinio, Nueva Ecija. A Notice to Proceed to contractors was issued last November, but with the developments, it is expected that by the end of July, about 700 megawatts of the solar PV panels have already been installed at the sites.

While the current focus remains on delivering the project on time and within scope, Management is actively evaluating opportunities for future expansion. MTerra Solar is proving that a combination of variable renewable energy coupled with energy storage can be very competitive in providing mid-merit capacity — compared to traditional sources like gas or diesel.

Beyond MTerra Solar, there are several other large-scale renewable energy initiatives in the pipeline such as the 450MW solar project with Vena Energy in Pangasinan which is expected to go online next year.

The Company's broader ambition is aligned with **the country's energy transition goals:** to scale up clean energy capacity, ensure energy security, and drive affordability. As part of the Meralco Group, MGEN is committed to leading this transformation and building a more sustainable energy future for all Filipinos.

5. Stockholder Ms. Erlinda B. Apolonio: ***"M****ERALCO has been a strong proponent of Advanced Metering Infrastructure (AMI), with a widescale rollout of smart meters reportedly in the pipeline. How significant is the role of AMI in advancing grid modernization and enhancing reliability in the Philippines? Could this initiative help* ***facilitate greater adoption of residential solar installations?"***

Mr. Ronnie L. Aperocho, Executive Vice President and Chief Operating Officer, replied that AMI or smart metering is a foundational component or a pillar of a modern, reliable, and responsive electric grid, also known as a smart grid. It enables both utilities and consumers to act smarter, faster, and more efficiently.

Smart metering enables the Company to automatically monitor, collect data, and perform meter reading at the last mile or on the customer side. It can accelerate the integration of renewables or variable renewable energy sources.

MERALCO's plan is to provide smart meters to all net metering installations, especially those customers with solar facilities. This will allow for real-time visibility of the export and import of energy at the load side, and of course, to protect the installations of the customers.

Smart metering goes beyond that. There are many more benefits the smart metering program can offer – both on the utility side and on the customer side. For example, MERALCO has a Customer Choice Program right now, or retail aggregation, where a particular cluster or group of customers can aggregate their demand. Once they reach the threshold to become contestable customers, they will have the power to choose their own power suppliers, which could offer them potential savings in their energy supply.

Mr. Aperocho added that there are so many benefits to smart metering. That's why in some jurisdictions or countries, it is the government that mandates 100% migration **from traditional or electronic meters to smart meters. That's basically** the grand plan of MERALCO, i.e., to transform or convert all its millions of customers into AMI or smart metering over the next 10 years.

Atty. Pamintuan stated that to give a chance to stockholders present at the meeting to raise questions from the floor, no further pre-submitted questions would be read. He said that the questions submitted but have not been read will be referred to the responsible officers or offices for appropriate reply.

The Chairman then invited questions from the floor, noting that the Corporate Secretary had earlier explained the protocol for raising such questions.

Given that there was no question from the floor and in as much as there has been sufficient discussion on the items in the agenda, Ms. Dianne Ferriol moved to close the discussion and to proceed to Other Matters. The motion was duly seconded.

OTHER MATTERS

The Corporate Secretary advised the Chairman that there is no other item to consider in the meeting.

ADJOURNMENT

There being no other business to transact, and on motion made by Ms. Aimi Gatchalian and duly seconded, the 2025 Annual Stockholders meeting was adjourned at 11:40 a.m.

SIMEON KEN R. FERRER
Corporate Secretary

A T T E S T:

MANUEL V. PANGILINAN
Chairman of the Board

PROOF OF NOTICE

I HEREBY CERTIFY, as duly elected, qualified and incumbent Corporate Secretary of Manila Electric Company (MERALCO), that written notice of the annual meeting of stockholders was sent to all stockholders of record at least twenty-eight (28) days before the date of the meeting, in accordance with the By-laws of the Company. A copy of the notice is attached as Annex "A" hereof.

Pasig City, Philippines, May 27, 2025.

SIMEON KEN R. FERRER
Corporate Secretary

List of Stockholders who Participated in the 2025 Annual Stockholders' Meeting

May 27, 2025

1 ABDULSALI G. AMINULLA
2 ABIGAIL C. SY
3 ABIGAIL C. SY OR MYLES BRANDON C. SY
4 ABRAHAM MONTECLARO ENERES
5 ADELAIDA C. MANUEL
6 AGNES G. BAARDE
7 AGNES S. PALULAN
8 AHMAD MOEINIMANESH &/OR ROSALINDA MOEINIMANESH
9 AIDA P. MOLINYAWE
10 AIMI FRANCES GALVEZ
11 AIMI FRANCES GALVEZ
12 ALBERTO VILLAMAYOR DIESTRO
13 ALEGRIA P. SUA
14 ALEXANDER PARAGAS EVANGELISTA
15 ALEXIS G. PAULINO
16 ALFREDO C. OLIVARES
17 ALLEN GONZALES
18 ALMA L MARTIREZ
19 ALPHA S. BAUTISTA
20 ALVIN ALONZO ESTEVES
21 AMADO S. CRUZ JR
22 AMADOR S. NIEVES
23 AMELITA C. TAN
24 AMELITA M. CARINGAL
25 AMELITA M. CARINGAL
26 AMPARO FRANCISCA S. ANGELES
27 ANA P. GUALLAR
28 ANABELLE LIM CHUA
29 ANGELINA B. DATOC
30 ANGELITA C. BORCES
31 ANGELITO R. SANTOS
32 ANGELO MANLANGIT
33 ANICETO P. SAGRA
34 ANNA CRISTINA T. PEREZ
35 ANNA PATRICIA G. GONZALES
36 ANNABEL F. BERGONIO
37 ANNIE JEAN F. ADVINCULA
38 ANTHONY C. VILLAFUERTE
39 ANTHONY V. ROSETE
40 ANTONIETTE C. CANO
41 ANTONIO GARCIA SY JR.
42 AQUILINO B. CARZON JR.
43 ARCELI O. CUETO
44 ARIEL M. DE CASTRO
45 ARIEL S. DE CASTRO
46 ARIEL S. DE CASTRO
47 ARIS C. BANTUGON
48 ARISTOTLE F. MENDOZA
49 ARLAINE YAMBAO REILLO

50 ARMANDO C. DE ASA JR.
51 ARMANDO V. PAGKALINAWAN
52 ARN RICHARD V. REMO
53 ARSENIO B. CAIQUEP
54 ARSENIO BURGOS CAIQUEP
55 ARSENIO P. CAIQUEP
56 ARTEMIO V. PANGANIBAN
57 ARTHUR G. MALIWANAG
58 ARTURO A. NALDOZA
59 BEBIANA M. TANADA
60 BELEN S. FECUNDO
61 BENEDICT GALERA JABID
62 BENJAMIN C. STA. ANA
63 BENJAMIN E. SANGA
64 BENJAMIN S. EDER
65 BERNADETTE N. TUAZON
66 BERNARDO O. IDANG
67 BERNARDO P. CAMBEL
68 BJORN M. CRUZ
69 BRENDA M. NOYNAY
70 BRIAN E. MONTANO
71 BUENA D. SAPANG
72 CAESAR P. PALISOC
73 CALI JEAN BERNUS MALABANAN
74 CAMILLE FRANCESCA F. CALUPITAN
75 CANDIDA C. CAYA
76 CARINA M. MATUTE
77 CARL GARCIA AQUINO I
78 CARL I. G. AQUINO
79 CARLOS C. PAMA
80 CARLOS CASTRO &/OR ANNA MARIE M. CASTRO
81 CARMELITA CAROLINA CASTOR CORPUZ
82 CARMELO S. GATLA
83 CARMENCITA M. CORTEZ
84 CAROLINA C. BANEZ
85 CARYL B. INOCENCIO
86 CATALINA CO DY &/OR CO KIAN CHAY
87 CATHERINE Y. VIRAY
88 CECILIA M. SANTOS
89 CECILIA V. DATAYAN
90 CESAR AUGUSTUS SALGADO CAYABAN
91 CHARITO C. ALFARO
92 CHARLES KENRICK C. SY OR ABIGAIL C. SY
93 CHERRY JOSEPHINE NAVARRO MANANSALA
94 CLARO B. CASTILLO
95 CLAUDIO B. RAMOS
96 CLAUDIO B. RAMOS &/OR ARLEEN M. RAMOS
97 CLAUDIO B. RAMOS &/OR NORMINIA M. RAMOS
98 CO KIAN CHAY &/OR RITA A. GAPUZ
99 CONRADO BUSTOS FABROS
100 CONSOLACION M. BAUTISTA
101 CONSTANCIO B. ASENIERO

102 CORAZON S. LABRADO
103 CRISPIN C. VENTURA
104 CUSTER P. ALIGNAY ITF MIGUEL INIGO S. ALIGNAY
105 CUSTER P. ALIGNAY ITF MIKAELA ISABEL S. ALIGNAY
106 CYNTHIA M. GONZALES
107 DANILO A. BASA
108 DANILO C. LLENA
109 DANILO E. SAYAMAN
110 DANILO G. BAGASIN
111 DANILO G. BAGASIN
112 DANILO G. BAGASIN &/OR EVA C. BAGASIN
113 DANILO L. CORPUZ
114 DANILO L. MONTE
115 DANILO L. MONTE AND/OR LOLITA T. MONTE
116 DANILO L. MONTE ITF LOIS TRISHA T. MONTE
117 DANILO M. PILAPIL
118 DANILO RIBOROSO IGNACIO
119 DANTE A. ALIGNAY
120 DANTE A. ALIGNAY &/OR TERESITA P. ALIGNAY
121 DANTE A. ALIGNAY AND OR TERESITA P. ALIGNAY
122 DAVID B. ACEDO &/OR ELENA NORABEL R. ACEDO
123 DAVID S. ROJAS JR
124 DENNIS J. RAMOS
125 DEOGRACIAS N. YAPTINCHAY II
126 DESIREE G. VIVAS
127 DEYTO,LETICIA C.
128 DIOSDADO R. MINERALES JR. OR ANNA PAOLA C. MINERALES
129 EDERLINDA M. BOBIS
130 EDGARCO C. TING AND/OR JANELLE BIANCA C. TING
131 EDGARCO C. TING AND/OR LUZONIA C. TING
132 EDGARDO L. RECINTO
133 EDGARDO S. ANGELES
134 EDUARDO DE JESUS TABLAN
135 EDUARDO E. EVANGELISTA
136 EDWARD BARJA
137 EDWARD C. YAO
138 EDWIN FRANCIS H. CRUZ
139 EFREN B. CONCEPCION
140 EFREN O. SAAVEDRA
141 ELAINE BARJA AND/OR NORA BARJA
142 ELENA P. VILLASQUEZ
143 ELIODORO P. BARTE
144 ELISA J. DELIGERO
145 ELIZA F. PALANA
146 ELIZABETH A. SOMEBANG
147 ELIZABETH PELAYO-BASCO
148 ELLEN V. BENDICIO
149 ELSA D.V. MARIANO
150 ELSA M. HONORICO-LOPEZ
151 ELVIRA A. GONIO
152 ELVIRA D. VECINO
153 ELVIRA DE GUZMAN REYES

154 ELVIRA M. CRUZ OR BERNARDO A. CRUZ
155 ELVIRA R. TORRES
156 ELVIRA V. VELAZCO
157 ELVIRA Z. SOMBRITO
158 EMERITA P. PALO
159 EMERSON S. ASUNCION
160 EMERSON S. UY
161 EMILIO M. DELA CRUZ AND/OR QUEEN JEANETTE M. DELA CRUZ
162 ENEDINA V. DIESTA
163 ERLINDA B. APOLONIO
164 ERLINDA L. ALVERO
165 ERLINDA PEREZ NADORA
166 ERNESTO A. OLIVERA
167 ERNESTO ATIENZA FIDER JR.
168 ERNESTO M. CABRAL
169 ERNESTO P. TAN
170 ESMERALDA CASTRO FERNANDEZ
171 ESTER A. DELA ROSA
172 EUGENIA MAHAGUAY CALLANTA
173 EUNICE CUBE
174 EVA C. HUGO
175 EVANGELINE M. SACRAMENTO
176 EVELYN A. TAPIRU &/OR JOSEPHINE A. TAPIRU
177 EVELYN B. ALISANGCO
178 EXOR B. DELA CRUZ
179 FAMELA C. DELA PENA
180 FAUSTA B. PADILLA
181 FELICITAS AGUILAR EVANGELISTA
182 FENNY JOHN DELOSO
183 FLORANTE FRANCISCO ABERIA
184 FLORANTE T. SADORRA
185 FLORDELIZA D. DELOS SANTOS
186 FLORENCIA BABALO
187 FLORENCIO M. INANDAN
188 FLORIELVIR D. VECINO
189 FRANCIS EUSTON R. ACERO
190 FRANCIS G. BARROSO
191 FRANCISCO C. SANTOS
192 FRED LORENZ G. RAMOS
193 FREEDOM IANFE NAVIDAD
194 GABRIEL P. REYES
195 GAUDENCIA SHIRLEY ARELLANO
196 GEMMA MARIE S. UY
197 GEORGE J. RAMOS
198 GERLY LAPURA RINGOR
199 GERMAN ORTIZ LAGASON
200 GERTRUDES Z. ESTEBAN
201 GIL R. DY-LIACCO
202 GILBERT TOBIAS ORINO
203 GILBERTO S. CRUZ
204 GLORIA RONCESVALLES SABIDONG
205 GLORIA V. LACSON

206 GRACE G. DE LEON
207 GREGORIO ILAS CALIXTO
208 HANSLEY T. GALLINERO
209 HENEDINA ROQUE LACSON
210 ILUMINADA M. VILLAMAYOR
211 IMELDA A. ALEJANDRO
212 IMELDA ALMARIO REYES
213 IRENE FAY YNCLINO MERRO
214 IRENEO BONIFACIO ACUNA
215 JAIME SAPLALA JIMENEZ
216 JAMES LIM GO
217 JAMES T. LEETONG
218 JANET L. U
219 JANNICA LIAN C. APUADA
220 JEAN V. LAGRADA
221 JEFFREY L. SY
222 JESSE R. DIAZ
223 JESSICA EVARDO CANONES
224 JESSICA M. GARCIA
225 JESSIE MENA KELLOGG REBUENO
226 JESUS A. CAPCO
227 JESUS DAVID CABRERA JR.
228 JESUS EMMANUEL R. GABRIEL
229 JESUS ROY A. VIERNES
230 JIMMY TAN UY
231 JOAQUIN B. TIMOGTIMOG JR.
232 JOAQUIN B. TIMOGTIMOG JR.
233 JOCELYN D. KEMPIS
234 JOEL C. MANGAHIS
235 JOEL J. ROMAN
236 JOHAN D. DELOS SANTOS
237 JOHN BRIAN D. TING
238 JOHN PAUL FUSTER
239 JOHN Y. CUAYCONG
240 JOSE A. CHUA
241 JOSE A. INGLES
242 JOSE A. SALGADO
243 JOSE A. SALGADO JR.
244 JOSE ANTONIO I. DIOMPOC
245 JOSE C. CORTEZ
246 JOSE L. ONG JR.
247 JOSE L. ONG, JR.
248 JOSE MA. K. LIM
249 JOSE REMILIO CONTI DIANGSON
250 JOSE RICHARD C. AVELINO
251 JOSE RICHARD C. AVELINO
252 JOSE S. REYES JR.
253 JOSE S. REYES JR.
254 JOSE S. REYES JR.
255 JOSE Z. TULLO
256 JOSEFINA RODRIGUEZ TAN
257 JOSELITO A. DELFIN

258 JOSELITO M. SITJAR
259 JOSELITO P. ANCHETA
260 JOSEPH DAVID
261 JOSEPH DE LUMEN AMOSCO
262 JOSEPH NICOL T. ONG
263 JOSEPH PATRICK B. GOZUN &/OR MA. LOURDES B. GOZUN
264 JOUIE FLORANTE M. BARTOLOME
265 JOVEN BAUTISTA ROBERTO
266 JOY PORCIUNCULA MENDOZA
267 JUAN MANUEL D. GENEROSO
268 JUANITO M. SAGUN
269 JUDITH JULIET QUITO
270 JUDITH M. SAGADSAD
271 JUDY L. GARCENIEGO
272 JULIET PATOLA BRONIL
273 JUNE CHERYL CABAL REVILLA
274 KARL WILLIAM LOUISE SERRANO
275 KARLO P. PATRIARCA
276 KENG WI C. YU
277 KENNETH L. CHENG
278 KEVIN NEIL S. EVANGELISTA &/OR PERICLES P. EVANGELISTA
279 LANA MARIE M. BATITIS
280 LANCE YU GOKONGWEI
281 LARRY RAMIREZ APUADA
282 LEA AMANDA A. DE LA ROSA
283 LEA EVELYN G. AGUILOS
284 LEILANI GONZALES ANASTACIO
285 LELINA MEDINA MENDOZA
286 LEONENA FABILLAR QUIRANTE
287 LETICIA Q. PEREZ
288 LETICIA S. BLANCO
289 LINDA F. FUSTER
290 LISETTE IYESA T. MONTE
291 LIZA CARPIO DE GUZMAN
292 LOLITA T. MONTE AND/OR LOIS TRISHA T. MONTE
293 LORENZA JOSON REYES
294 LORNA ABAO CANCAN
295 LORNA B. LANDAYAN
296 LOURDES S. SAMSON
297 LUCIANO PASCUAL VIVAS
298 LUIS MARIA DEL PRADO ANTONIO
299 LUNINGNING S. EVANGELISTA
300 LUZ O. DELOS REYES
301 LUZ T. MAINIT
302 LUZVIMINDA D. MACUSI
303 LYDIA B. ECHAUZ
304 LYDIA S. REFORMADO
305 LYNE MARIA F. BARTE
306 LYNLY P. DELA CUESTA
307 MA GAY MARTINEZ ORINO
308 MA. AGNES LEDIE BORJA PEREZ
309 MA. CECILIA ARISCO IGNACIO

310 MA. CONCEPCION L. SANTOS
311 MA. CONCEPCION L. SANTOS
312 MA. CORAZON A. DALAG
313 MA. CRISTINA G. ORIDO
314 MA. CYNTHIA SOLUREN
315 MA. ELIZABETH C. MENDOZA
316 MA. GEMINIA D. VECINO
317 MA. LOURDES MARCELO MANLUGON
318 MA. LUCILA L. JUGUETA
319 MA. MIEL CRISTINA GAMALINDA LANTING
320 MA. TERESITA T. BUENO
321 MA. VICTORIA M. GERONILLA
322 MADONNA CHARLENE CRUZ GUEVARA
323 MAILENE M. CABRAL
324 MANUEL M. GALVAN
325 MANUEL V. DAEL
326 MANUEL V. PANGILINAN
327 MARCELIANO S. REYES
328 MARCIAL G. PANTE
329 MARIA ANA E. DOMINGO
330 MARIA CECILIA RAFAEL
331 MARIA CRISTINA O. ROSAS
332 MARIA DOLORES R. RODRIGO
333 MARIA ELENITA VILAR TESORO
334 MARIA ELIZABETH LOVE S. DA SILVA
335 MARIA FE A. FORONDA
336 MARIA G. PANGANIBAN
337 MARIA JASMIN M. TABLANTE
338 MARIA LUISA S. LOZADA
339 MARIA ROSARIO C. FERNANDEZ
340 MARIA ROSARIO VICTORIA S. BUENAVENTURA
341 MARIA TERESA AGNO ADRIANO
342 MARIA TERESA B. GABRIEL
343 MARIA THERESA M. PABRUA
344 MARIAN ANTONETTE C. VILLAFUERTE
345 MARIANO C. CARILLO
346 MARIE JO D. VECINO
347 MARINETTE ORTEGA TAGUBA
348 MARIO C. CANDAZO
349 MARIO MADRILEJO DUMAYAG
350 MARIO SANTIAGO DALAG
351 MARISSA D. VIERNES
352 MARITES O. AUSTRIA
353 MARITES T. ONG AND/OR JOHNNY T. ONG
354 MARL MONINO S. MANGASI
355 MARLON CORAZON GALLINERO GONSALVES
356 MARNITA O. USI
357 MARVIN GALLINERO GONSALVES
358 MARVIN S. VICTORIA
359 MARY ANNE Q. BARCELONA
360 MARY BLOSSOM ILAGAN GANTAN
361 MATTHEW GLENN SORIANO SAPITULA

362 MAULEN M. TOLENTINO
363 MAY A. PERALTA
364 MELANI DELOS REYES ORTEGA
365 MELDA M.BAYANI
366 MENANDRO R. NAGUIT
367 MENCHITA B. BELO
368 MERCEDITA B. MENDOZA
369 MERCEDITA B. MENDOZA
370 MERCEDITA B. MENDOZA
371 MERCY LOCSIN SEVERINO
372 MERLINDA D. OCOP
373 MERRY-JUNE CHUA MARINAS
374 MIA JOANNA VILLARUEL MENCHACA
375 MICHAEL J. DEL ROSARIO
376 MICHELLE ANN C. RIVERA
377 MICHELLE DELOS SANTOS-BONA
378 MILAGROS P. VILLANUEVA
379 MYLEEN B. DIOMAMPO
380 MYRA PINEDA VILLANUEVA
381 MYRICRIS A. GONZALO
382 MYRNA P. VILLANUEVA
383 MYRNA P. VILLANUEVA
384 NELIA PALAMBIANO BARTE
385 NELSON T. IRA
386 NEMESIO G. CUATERNO
387 NERRIZA N. GUEVARA
388 NESTOR A. CACNIO
389 NESTOR C. REYES
390 NICOLAS A. PASCASIO
391 NIDA O. MAGNO
392 NIXON G. HAO
393 NOEL HATOC CRUZ
394 NOEL RAMOS REMO
395 NORA BARJA AND/OR EDWARD BARJA
396 NORA DELA CRUZ CARRIDO
397 NOREEN P. PALASIGUI
398 NORLEE ALBAN
399 OLIVIA C. PAJIMULA
400 ORLANDO LEGARDE CADAGUIT
401 ORLANDO Q. GANDEZA
402 ORLINO I. ACHANZAR
403 OSCAR K. HONORICO
404 OSCAR K. HONORICO
405 OSCAR K. HONORICO
406 PATRICIA CECILIA B. BISDA
407 PATRICIA MARIE CO
408 PATRICIO F. MENDOZA
409 PATRICK HENRY C. GO
410 PAULINA M. DABI
411 PEDRO EMILIO O. ROXAS
412 PERLA P. GONZALES
413 PERLA R. CATAHAN

414 QUENNIE CLARISSE B. ALCANTARA
415 RAMON D. MASA JR.
416 RAMONA FE CAJIPE AGUIRRE
417 RAY C. ESPINOSA
418 REBECCA B. JACOB
419 REGINA D. CUNANAN OR ARMANDO C. DE ASA JR.
420 REGINA R. CUNANAN
421 RELLIE CARAPATAN CONCEPCION
422 REMEDIOS F. FONTAMILLAS
423 REMEDIOS F. FONTAMILLAS
424 RENE YAP SUA
425 REYJAVIC V. ANTONIO
426 REYNALDO R. OGAYA
427 REYNALDO T. DELA CRUZ
428 RHEA PAULINO TOPACIO
429 RHODA DE CASTRO BABALO
430 RICARDO L. DAYDAY
431 RICARDO S. SAN DIEGO
432 RICARDO SARA GONZALEZ
433 RICHARD M. GALERA
434 RITO P. MACUTAY
435 RIZALDY S. ENRIQUEZ
436 RIZALDY SIOSON ENRIQUEZ
437 ROBERT JAIRUS SANTOS
438 ROBERTO B. GIRON
439 ROBERTO O. DOMINGO
440 RODERICK VALERIO DE GUZMAN
441 RODOLFO D. SANTOS
442 RODOLFO D. UNGSON
443 RODOLFO G. ACABADO
444 RODOLFO I. GATCHALIAN JR.
445 RODOLFO R. MINERALES
446 RODOLFO R. SANTOS
447 ROMEO P. AGUILAR
448 RONALD BRECENIO CARRIDO
449 RONALD VIC C. DE JESUS
450 RONOEL M. DELLOTA
451 ROSA MARIA Y. BILLONES
452 ROSALIA P. LINESES
453 ROSALIA SP KEMPIS
454 ROSALIE O. CERVERA
455 ROSALINA A. CALIWAN
456 ROSARIO BARJA OR NORA BARJA
457 ROSARIO O. ARGAMOSA
458 ROSAURO L. DELA CRUZ
459 ROSAURO P. BABIA
460 ROSE ANNE SY
461 ROWENA A. SANTIAGO
462 ROWENA R. SAEED
463 ROY ANTHONY GENCIANEO PEDROSO
464 RUEL T BENEMERITO
465 RUFINO C. TABLANTE

466 RUFINO M. ZAFRA
467 RUPERTO D. DANQUE JR.
468 RUSTICO CALINGO DE BORJA JR.
469 RUTH DE CASTRO BABALO
470 SALVACION V APURILLO
471 SARAH C. SANTOS
472 SARAH C. SANTOS
473 SERGIO MARIANO DELA CRUZ
474 SHEENA MARIE S. AMURAO
475 SHEILA MAY B. ARBUES
476 SHELLA BACABAC
477 SHERLITA G. SUBALDO
478 SHILO F. MANZANILLA
479 SIMEON KEN R. FERRER
480 SIMON CESAR C. ABAGA
481 SOCORRO MARIA I. CALIXTO
482 SOLIMAN C. IRASUSTA
483 SSS FAO ALNAR F. DALISAY SSS #03-9053552-8
484 SSS FAO BEVERLY O. TABANG SSS #03-5541378-2
485 SSS FAO CORNELL O. DY SSS #33-1193889-7
486 SSS FAO DOLORES D. CORONEL SSS #03-9577408-3
487 SSS FAO MA. MELODY S. GALAROSA SSS #33-0489509-9
488 SSS FAO MARIA LEONORA M. CHUA SSS #33-3009676-5
489 SSS FAO MARISSA U. GALIMBA SSS #03-9164287-6
490 SSS FAO MYRA P. VILLANUEVA SSS #03-7192218-9
491 SSS FAO NOEL A. VILLENA SSS #03-8101124-2
492 SSS FAO PRESMARLEY GRACE R. CALUMPIT
493 SSS FAO ROMEO Y. VELASCO SSS #03-7990305-8
494 SSS FAO ROSELLO M. IBANEZ SSS #03-9319255-7
495 TEODORO T. GATURIAN
496 TEOFILA R. BUENAVISTA
497 TERESA E. PILARES
498 TERESA E. PILARES
499 TERESITA P. ALIGNAY
500 TERESITA TALAN PARCON
501 TESSIE C. RICAFORT
502 THELMA CRUZ YU
503 THOM RYAN Q. ORTEGA
504 THURGOOD JOHN A. PEREZ
505 VALERIANO PEDRO O. PLANTILLA III
506 VALERIANO PEDRO O. PLANTILLA III &/OR FELICITAS O. PLANTILLA
507 VALERIANO PEDRO O. PLANTILLA III ITF LORRAINE TISHA R. PLANTILLA
508 VICTOR A. SOLON
509 VICTOR B. GRUET
510 VICTOR CO AND/OR ALIAN CO
511 VICTOR L. RISMA IV
512 VICTORICO PAREDES VARGAS
513 VILMA Q. VILLOTA
514 VILMA V. PADILLA
515 VIRGINIA G. AGOR
516 VIVIAN S. OLAZO
517 WARTHUR ROA PANTOJA

518 WENDY CO GO
519 WILFREDO AQUINO BAETIONG
520 WILFREDO S. CRUZ
521 WILLIAM A. DE VERA
522 WILLIE S. ZULUETA
523 WILMA JAEN PINE
524 YVONNE JAZZEY D. MELO
525 ZENAIDA P. SAN JUAN
526 ZOILO M. SAMBALILO JR.

ANNEX "E"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **LYDIA B. ECHAUZ**, Filipino, of legal age, and a resident of [redacted] after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **MANILA ELECTRIC COMPANY** ("MERALCO").

2. I am affiliated with the following listed companies or organizations:

COMPANY/ORGANIZATION	POSITION	PERIOD OF SERVICE
D&L Industries, Inc.	Independent Director	2017 to present
Shell Pilipinas Corporation	Independent Director	2017 to present
SP New Energy Corporation	Independent Director	2024 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of MERALCO, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. To the best of my knowledge, I am not related to any director, officer, or a substantial shareholder of MERALCO, any of its related companies or any of its substantial shareholders.

5. To the best of my knowledge, I am not subject of any criminal or administrative investigation or proceeding pending in court.

6. To the best of my knowledge, I am neither an officer nor an employee of any government agency or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as an independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

8. I shall inform the Corporate Secretary of MERALCO of any changes in the above-mentioned information within five (5) days from its occurrence.

Done this 10th day of April 2026.

[redacted]

LYDIA B. ECHAUZ
Affiant

SUBCRIBED AND SWORN to before me this 10 APR 2026 day of 2026, affiant personally appeared before me and exhibited to me his/her [redacted] issued on [redacted] and valid until [redacted] as her competent evidence of identity.

Doc. No. 299;
Page No. 68;
Book No. XIII;
Series of 2026.
Documentary Stamp Tax No. _____

DOCUMENTARY STAMP TAX PAID
00583185

ATTY. FREEDOM IANFE M. NAVIDAD
NOTARY PUBLIC
ROLL NO. 53655
PATEROS AND PASIG CITY, PHILIPPINES

[redacted]

ATTY. FREEDOM IANFE M. NAVIDAD
Notary Public
Pasig and Pateros
Issued on June 23, 2025 at Pasig City
Appointment No. 220 (2025-2026)
Roll No. 53655/ IBP No. 589463 01/06/2026 RSM Chapter
PTR No. 3945405 01/7/2026 Pasig City
MCLE No. VIII – 0029348 04/22/28
8th Floor Lopez Bldg Ortigas Avenue, Pasig City

ANNEX "F"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **BERNIDO H. LIU**, Filipino, of legal age, and a resident of [redacted], after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of MANILA ELECTRIC COMPANY ("MERALCO").

2. I am affiliated with the following listed companies or organizations:

COMPANY/ORGANIZATION	POSITION	PERIOD OF SERVICE
PLDT, Inc.	Independent Director	September 28, 2015-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of MERALCO, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. To the best of my knowledge, I am not related to any director, officer, or a substantial shareholder of MERALCO, any of its related companies or any of its substantial shareholders.

5. To the best of my knowledge, I am not subject of any criminal or administrative investigation or proceeding pending in court.

6. To the best of my knowledge, I am neither an officer nor an employee of any government agency or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as an independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

8. I shall inform the Corporate Secretary of MERALCO of any changes in the above-mentioned information within five (5) days from its occurrence.

Done this ____ day of _____, 2026.

APR 2 8 2026

[redacted]

BERNIDO H. LIU
Affiant

SUBCRIBED AND SWORN to before me this _____ day of _____ 2026, affiant personally appeared before me and exhibited to me his [redacted] as his competent evidence of identity.

APR 2 8 2026

Doc. No. 86;
Page No. 18;
Book No. 11;
Series of 2026.
Documentary Stamp Tax No. _____

[redacted]

ATTY. REMAR S. CAPILI
Notary Public for and in Quezon City
2901 Tower 1 Mezza Cor dominium
Cor. G. Araneta, Quezon City
ADM-MATTER No. NP-116 (2026-2027)
Roll of Attorneys No. 64385
IBP Lifetime Member No. 013643
PTR No. 8771142/01-[illegible]-2026/QC
MCLE-IX-0009[illegible]t. 10, 2025
My Commission Expires on Dec. 31, 2027

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **BERNADINE T. SIY**, Filipino, of legal age, and a resident of [redacted] after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of MANILA ELECTRIC COMPANY ("MERALCO").

2. I am affiliated with the following listed companies or organizations:

COMPANY/ORGANIZATION	POSITION	PERIOD OF SERVICE
Cebu Air, Inc.	Independent Director	March 3, 2021-Present
PLDT, Inc.	Independent Director	June 8, 2021 – Present
JG Summit Holdings, Inc.	Independent Director	June 3, 2024 - Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of MERALCO, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. To the best of my knowledge, I am not related to any director, officer, or a substantial shareholder of MERALCO, any of its related companies or any of its substantial shareholders.

5. To the best of my knowledge, I am not subject of any criminal or administrative investigation or proceeding pending in court.

6. To the best of my knowledge, I am neither an officer nor an employee of any government agency or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as an independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

8. I shall inform the Corporate Secretary of MERALCO of any changes in the above-mentioned information within five (5) days from its occurrence.

Done this 8th day of May 2026.

[redacted]
BERNADINE T. SIY
Affiant

SUBCRIBED AND SWORN to before me this _____ day of 0 8 MAY 2026 2026, affiant personally appeared before me and exhibited to me her [redacted] as her competent evidence of identity.

ATTY. DAVID T. TOLENTINO
Notary Public
Pasig and Pateros
Issued on June 2, 2025 at Pasig City
Appointment No 219 (2025-2026)
Roll No. 78611 / IBP No 562568 12/03/25 RSM Chapter
PTR No. 3945165 01/06/2026 Pasig City
MCLE VIII-BEP002676 04/14/2028
8th Floor Lopez Bldg. Ortigas Avenue, Pasig City

ATTY. DAVID T. TOLENTINO NOTARY PUBLIC ROLL NO. 78611 PATEROS AND PASIG CITY, PHILIPPINES

Doc. No. 349;
Page No. 71;
Book No. VII;
Series of 2026.
Documentary Stamp Tax No. DDS 83194

Securities and Exchange Commission

MARKETS AND SECURITIES REGULATION DEPARTMENT

10 March 2026

MANILA ELECTRIC COMPANY
Lopez Building, Ortigas Avenue
Barangay Ugong,
Pasig City, Metro Manila
Email: disclosures@meralco.com.ph
corporate.compliance@meralco.com.ph

ANNEX "H"

ATTENTION : **ATTY. JOCELYN C. VILLAR-ALTAMIRA**
Vice President and Head

SUBJECT: **Request of Distribution of Definitive Information Statement via QR Code**

Gentlemen:

This refers to your email dated 26 February 2026, requesting in behalf of **MANILA ELECTRIC COMPANY** (the "Company") to distribute the following documents in digital format via Quick Response ("QR") Code, in relation to the Company's upcoming Annual Stockholders' Meeting ("ASM"):

1. Notice of Meeting;
2. Procedure for Registration, Participation and Voting in the ASM;
3. Information Statement;
4. Proxy Form; and
5. 2025 Annual Report.

Please be advised that the Commission allows the distribution of the said documents through verifiable soft copy, such as via QR Code, pursuant to the E-Commerce Law and 2015 Amended Implementing Rules and Regulations of the SRC particularly Rule 20.3.1 which states that:

> "In the conduct of annual or other stockholders' meetings, the Issuer shall transmit **either a written or verifiable soft copy** of the information statement and proxy form (in case of a proxy solicitation) containing the information specified under SEC Form 20-IS, and a management report under SRC Rule 20.4, if applicable, to security holder of the class entitle to vote." (emphasis supplied)

The said distribution through the use of QR Code is subject to the following conditions:

1. Hard copies of the said document shall, upon request by shareholders, be given within the period required under the Rules;

2. The shareholders shall be informed that the hard copy of the documents shall be provided upon their request; and

3. Important information such as date, time, venue and agenda of the meeting must be indicated with the QR Code that will be distributed to the shareholders.

This permission only pertains to the specific request of using QR Code for the distribution of the **Information Statement and the above-listed documents for the Fiscal Year 2026**, and shall not be construed to allow the use of other data storage materials. Separate requests should be filed for the Definitive Information Statement of succeeding years.

Very truly yours,

[redacted]

ATTY. OLIVER O. LEONARDO
Director

The SEC Headquarters, 7907 Makati Avenue
Salcedo Village, Bel-air, Makati City
(+63 2) 5322 7696
www.sec.gov.ph | imessagemo@sec.gov.ph
https://linktr.ee/secphilippines

INVESTORS IN PEOPLE
We invest in people
ISO 9001

File Upload

ANNEX "I"

All files successfully uploaded

Transaction Code:
AFS-0-J587BK024ZVVR3VM441ZWYS08KEKHHK6

Submission Date/Time:
Apr 15, 2026 06:34 PM

Back To Upload

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STATEMENT OF MANANGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management of Manila Electric Company (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, as at December 31, 2025 and 2024, and for each of the three years in the period ended December 31, 2025, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements, including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion upon completion of such audit.

Signed this _____ day of APR 10 2026 2026.

[redacted]

MANUEL V. PANGILINAN
Chairman of the Board and Chief Executive Officer

[redacted]

BETTY C. SIY-YAP
Chief Finance Officer

APR 10 2026

SUBSCRIBED AND SWORN to before this ___ day of _____ 2026 in Pasig City, by the above-named persons who exhibited to me their respective Tax Identification Numbers as follows:

MANUEL V. PANGILINAN
BETTY C. SIY-YAP

[redacted]

Doc. No. 111;
Page No. 24;
Book No. XXVII;
Series of 2026.

[redacted]

ATTY. ISAGANI C. CORUNA II
NOTARY PUBLIC
ROLL NO. [redacted]
PASIG CITY & MUN. OF PATEROS, PHILIPPINES

ATTY. ISAGANI C. CORUNA II
NOTARY PUBLIC
Appointment No. 249 (2025-2026)
City of Pasig and Municipality of Pateros
Issued on 23 June 2025, until December 31, 2026
Roll No. 63123; IBP No. 575351; 12/29/2025; RSM
PTR No. 4005316; 01/07/2026, Pasig City
MCLE Compliance No. VIII-0029855; Valid until 14 April 2027
7th Floor Lopez Bldg., Ortigas Ave., Pasig City

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Manila Electric Company
Lopez Building, Ortigas Avenue
Barangay Ugong, Pasig City, Metro Manila

Opinion

We have audited the consolidated financial statements of Manila Electric Company (the Company) and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2025, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2025 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (the Code of Ethics), as applicable to the audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to the audits of financial statements of public interest entities in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including those in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Revenue from sale of electricity

The Group's revenue from its electricity distribution business represents 92% of its consolidated revenues and arise from its service contracts with a large number of customers that are classified as either commercial, industrial or residential, located within the Group's franchise area. This matter is significant to our audit because the revenue recognized depends on (a) the complete capture of electric consumption based on the meter readings over the franchise area taken on various dates; (b) the propriety of rates computed and applied across customer classes, including the application of adjustments promulgated by the Energy Regulatory Commission (ERC); and (c) the reliability of the information technology (IT) systems involved in processing the billing transactions.

Notes 2, 23, 24, 30 and 32 provide the relevant disclosures related to the rate-setting regulations and regulatory policies of the ERC.

Audit response

We obtained an understanding and evaluated the design of, as well as tested the controls over, the customer master file maintenance, accumulation and processing of meter data, and interface of data from the billing system to the financial reporting system. In addition, we performed a test recalculation of the bill amounts using the ERC-approved rates, adjustments and formulae, as well as actual pass-through costs incurred, and compared them with the amounts reflected in the billing statements. We involved our internal specialist in understanding the IT processes and in understanding and testing the IT general controls over the IT systems supporting the revenue process.

Adequacy of allowance for expected credit losses for receivables

The Group applies the simplified approach in calculating expected credit loss (ECL). Under this approach, the Group establishes a provision matrix that is based on its historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment. Allowance for credit losses and the provision for credit losses as of and for the year ended December 31, 2025 amounted to ₱9,676 million and ₱1,046 million, respectively. The use of the ECL model is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include the following: segmenting the Group's credit risk exposures; defining default; determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts, and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information (called overlays), in calculating ECL.

The disclosures in relation to the allowance for credit losses using the ECL model are included in Notes 5, 13 and 27 to the consolidated financial statements.

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Audit response

We obtained an understanding of the methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, the time value of money, and the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place, (c) tested historical loss rates by inspecting historical recoveries and write-offs, and the effects of any financial support and credit enhancements provided by any party; (d) compared the classification of outstanding exposures to their corresponding aging buckets; and (e) evaluated the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios and industry practices.

Further, we compared the data used in the ECL models, such as the historical aging analysis and default and recovery data from the source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

Provisions and contingencies

The Group is involved in certain proceedings and claims for which it has recognized provisions for probable costs and/or expenses and/or has disclosed relevant information about such contingencies. This matter is significant to our audit because the determination of whether any provision should be recognized and the estimation of the potential liability resulting from these assessments require significant judgment by management. The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and implementation of the relevant laws and regulations.

Notes 2, 19, 22 and 29 to the consolidated financial statements provide the relevant disclosures related to this matter.

Audit response

We examined the bases of management's assessment of the possible outcomes and the related estimates of the probable costs and/or expenses that are recognized and/or disclosed in the Group's consolidated financial statements and involved our internal specialists when necessary. We discussed with management the status of the claims and/or assessments and obtained correspondences with the relevant authorities and opinions from the internal and external legal counsels. We evaluated the position of the Group by considering the relevant laws, rulings and jurisprudence. We also reviewed the disclosures on provisions and contingencies in the Group's consolidated financial statements.

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Accounting for Investment in Joint Venture

As disclosed in Note 3 to the consolidated financial statements, on January 27, 2025, Meralco PowerGen Corporation, a wholly owned subsidiary of the Company, together with Therma NatGas Power, Inc., completed an investment agreement with the parties holding 60% and 40% interests in Chromite Gas Holdings, Inc. ("Chromite Holdings"), respectively. Chromite Holdings contemporaneously completed the acquisition of a 67% stake in South Premiere Power Corporation, Excellent Energy Resources, Inc., Linseed Field Corporation and Ilijan Primeline Industrial Estate Corporation.

The Company accounted for its interest in Chromite Holdings as an investment in a joint venture in accordance with PFRS 11. In 2025, the fair values of the share in net assets acquired and the related purchase price allocation were finalized.

We considered the accounting for this acquisition to be a key audit matter due to the significance of the amounts involved and the significant management judgment and estimation required in determining the fair values of the share in net assets acquired, particularly relating to the fair values of acquired property and equipment and intangible assets as at the acquisition date, based on the information available.

Audit response

We reviewed the share purchase agreements and other related contracts covering the acquisition of interest and assessed whether the acquisition has been appropriately accounted for. We reviewed the purchase price allocation and evaluated management's basis for determining the fair values of the share in net assets acquired using information available as of the acquisition date. We assessed the competence, capabilities, and objectivity of the external appraiser engaged by management to prepare the appraisal reports used in the purchase price allocation, by considering their qualifications, relevant experience and reporting responsibilities. We involved our internal specialist in evaluating the valuation methodologies and key assumptions used in determining the fair values of the acquired property and equipment and intangible assets. In addition, we assessed the adequacy of the related disclosures in Note 3 to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2025 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2025 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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The engagement partner on the audit resulting in this independent auditor's report is Roel E. Lucas.

SYCIP GORRES VELAYO & CO.

Roel E. Lucas
Partner
CPA Certificate No. 98200
Tax Identification No. 191-180-015
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 98200-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-095-2025, October 1, 2025, valid until September 30, 2028
PTR No. 10765069, January 2, 2026, Makati City

February 25, 2026

A member firm of Ernst & Young Global Limited

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2025**	2024
		(Amounts in millions)	
ASSETS			
Noncurrent Assets			
Utility plant, generation plant and others	*7 and 10*	**₱378,232**	₱288,501
Investments in associates and interests in joint ventures	*8 and 23*	**140,440**	47,513
Investment properties	*9*	**1,483**	1,487
Intangible assets	*7 and 10*	**40,658**	41,559
Deferred tax assets – net	*28*	**25,706**	26,382
Other noncurrent assets	*2, 11, 15, 26, 27 and 30*	**24,136**	32,900
Total Noncurrent Assets		**610,655**	438,342
Current Assets			
Cash and cash equivalents	*12 and 27*	**109,317**	84,480
Trade and other receivables	*13, 24 and 27*	**76,726**	64,697
Inventories	*14*	**10,983**	11,422
Other current assets	*11, 15, 23 and 27*	**16,198**	19,017
Total Current Assets		**213,224**	179,616
Total Assets		**₱823,879**	₱617,958
EQUITY AND LIABILITIES			
Equity Attributable to Equity Holders of the Parent Company			
Common stock	*16*	**₱11,273**	₱11,273
Additional paid-in capital		**4,111**	4,111
Equity reserve	*3*	**5,953**	955
Employee stock purchase plan	*16*	**1,049**	1,049
Hedging reserve	*16 and 27*	**483**	1,277
Unrealized fair value gains on financial assets at fair value through other comprehensive income ("*FVOCI*")	*11*	**895**	801
Remeasurement adjustments on retirement and other post-employment liabilities	*26*	**2,035**	942
Share in remeasurement adjustments on associates' retirement liabilities	*8*	**(28)**	(28)
Share in other comprehensive income and cumulative translation adjustments of associates	*8*	**1,861**	1,575
Cumulative translation adjustments of subsidiaries		**(701)**	(682)
Treasury shares	*16*	**(13)**	(13)
Retained earnings	*16*	**146,219**	123,339
Equity Attributable to Equity Holders of the Parent Company		**173,137**	144,599
Non-controlling Interests	*3 and 16*	**50,387**	41,283
Total Equity		**223,524**	185,882

(Forward)

	Note	December 31 2025	2024
			(Amounts in millions)
Noncurrent Liabilities			
Interest-bearing long-term financial liabilities - net of current portion	*17 and 27*	**₱186,531**	₱54,797
Customers' deposits - net of current portion	*18, 22 and 27*	**39,206**	33,274
Long-term employee benefits	*26*	**13,565**	16,263
Provisions	*19, 22 and 29*	**12,335**	9,855
Refundable service extension costs - net of current portion	*22 and 27*	**3,371**	3,753
Deferred tax liabilities - net	*28*	**8,432**	8,769
Other noncurrent liabilities	*2, 3, 8, 24 and 29*	**84,865**	68,991
Total Noncurrent Liabilities		**348,305**	195,702
Current Liabilities			
Notes payable	*21 and 27*	**36,367**	34,287
Trade payables and other current liabilities	*2, 16, 22, 23, 27 and 29*	**199,620**	191,472
Customers' refund	*2, 20 and 27*	**2,851**	2,853
Income tax payable		**1,764**	2,070
Current portion of long-term employee benefits	*26*	**4,300**	–
Current portion of interest-bearing long-term financial liabilities	*17 and 27*	**7,148**	5,692
Total Current Liabilities		**252,050**	236,374
Total Liabilities		**600,355**	432,076
Total Liabilities and Equity		**₱823,879**	₱617,958

See accompanying Notes to Consolidated Financial Statements.

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

		Years Ended December 31		
	Note	**2025**	2024	2023
		(Amounts in millions, except per share data)		
REVENUES				
Sale of electricity	*2, 5, 6, 23, 24, 30 and 32*	**₱485,547**	₱456,918	₱430,181
Sale of other services	*23*	**11,778**	13,444	13,431
		497,325	470,362	443,612
COSTS AND EXPENSES				
Purchased power	*24 and 30*	**377,284**	346,534	328,248
Salaries, wages and employee benefits	*25 and 26*	**19,745**	17,974	16,521
Depreciation and amortization	*7, 9, 10 and 25*	**17,034**	17,529	16,625
Contracted services		**12,239**	10,037	10,074
Coal and fuel		**9,022**	11,705	16,133
Power plant operations and maintenance cost		**2,260**	2,225	1,881
Taxes, fees and permits		**2,181**	2,662	2,325
Provision (reversal of provision) for probable losses and expenses from claims - net	*2, 19 and 29*	**(1,449)**	6,401	6,848
Provision (reversal of provision) for impairment losses		**1,200**	–	–
Provision for expected credit losses (*"ECL"*) - net of recoveries	*13*	**1,008**	849	998
Other expenses	*23 and 25*	**8,328**	9,530	7,626
		448,852	425,446	407,279
OTHER INCOME (EXPENSES)				
Equity in net earnings of associates and joint ventures	*8*	**16,731**	10,267	11,479
Interest and other financial charges	*17, 18 and 21*	**(8,892)**	(5,302)	(5,129)
Interest and other financial income	*11 and 12*	**3,459**	3,884	3,321
Foreign exchange gains (losses)		**43**	185	(44)
Others	*2, 5, 7, 8, 23, 30 and 32*	**3,778**	2,734	829
		15,119	11,768	10,456
INCOME BEFORE INCOME TAX		**63,592**	56,684	46,789
PROVISION FOR (BENEFIT FROM) INCOME TAX	*28*			
Current		**12,770**	12,232	9,153
Deferred		**(20)**	(2,018)	(1,042)
		12,750	10,214	8,111
NET INCOME		**₱50,842**	₱46,470	₱38,678
Attributable To				
Equity holders of the parent company	*31*	**₱51,130**	₱45,859	₱38,023
Non-controlling interests		**(288)**	611	655
		₱50,842	₱46,470	₱38,678
Earnings Per Share Attributable to Equity Holders of the Parent Company	*31*			
Basic		**₱45.36**	₱40.69	₱33.74
Diluted		**45.36**	40.69	33.74

See accompanying Notes to Consolidated Financial Statements.

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2025**	2024	2023
			(Amounts in millions)	
NET INCOME		**₱50,842**	₱46,470	₱38,678
OTHER COMPREHENSIVE INCOME				
Items that will be reclassified to profit or loss in subsequent years:				
Unrealized fair value gains on fair value through other comprehensive income ("*FVOCI*") financial assets	*11*	**108**	194	88
Share in cumulative translation adjustments of associates	*8*	**739**	333	8
Cumulative translation gains (losses) of subsidiaries		**(19)**	16	1
Net other comprehensive income that will be reclassified to profit or loss in subsequent years		**828**	543	97
Items that will not be reclassified to profit or loss in subsequent years:				
Remeasurement gains (losses) on retirement and other post-employment liabilities	*26*	**1,437**	(3,301)	(5,152)
Income tax effect		**(360)**	825	1,288
		1,077	(2,476)	(3,864)
Change in fair value of cash flow hedges	*16 and 27*	**673**	1,277	–
Unrealized fair value gains (losses) on equity securities at *FVOCI*		**(15)**	130	101
Income tax effect		**1**	(13)	(10)
		(14)	117	91
Share in other comprehensive income (losses) of associates		**(453)**	185	329
Share in remeasurement gains (losses) on associates' retirement liabilities	*8*	**–**	1	(13)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent years		**1,283**	(896)	(3,457)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF INCOME TAX		**2,111**	(353)	(3,360)
TOTAL COMPREHENSIVE INCOME, NET OF INCOME TAX		**₱52,953**	₱46,117	₱35,318
Total Comprehensive Income Attributable To				
Equity holders of the parent company		**₱53,257**	₱45,506	₱34,663
Non-controlling interests		**(304)**	611	655
		₱52,953	₱46,117	₱35,318

See accompanying Notes to Consolidated Financial Statements.

MANILA ELECTRIC COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

	Equity Attributable to Equity Holders of the Parent Company														
	Common Stock (Note 16)	**Additional Paid-in Capital**	**Equity Reserve** (Note 3)	**Employee Stock Purchase Plan** (Note 16)	**Hedging Reserve** (Notes 16 and 27)	**Unrealized Fair Value Gains on Financial Assets at *FVOCI*** (Note 11)	**Remeasure-ment Adjustments on Retirement and Other Post-Employment Liabilities** (Note 26)	**Share in Remeasure-ment Adjustments on Associates' Retirement Liabilities** (Note 8)	**Share in Other Comprehen-sive Income and Cumulative Translation Adjustments of Associates** (Note 8)	**Cumulative Translation Adjustments of Subsidiaries**	**Treasury Shares** (Note 16)	**Retained Earnings** (Note 16)	**Equity Attributable to Equity Holders of the Parent Company**	**Non-controlling Interests** (Notes 3 and 6)	**Total Equity**
	(Amounts in millions)														
At January 1, 2025	**₱11,273**	**₱4,111**	**₱955**	**₱1,049**	**₱1,277**	**₱801**	**₱942**	**(₱28)**	**₱1,575**	**(₱682)**	**(₱13)**	**₱123,339**	**₱144,599**	**₱41,283**	**₱185,882**
Net income	–	–	–	–	–	–	–	–	–	–	–	**51,130**	**51,130**	**(288)**	**50,842**
Other comprehensive income (loss)	–	–	–	–	**673**	**94**	**1,093**	–	**286**	**(19)**	–	–	**2,127**	**(16)**	**2,111**
Total comprehensive income (loss)	–	–	–	–	**673**	**94**	**1,093**	–	**286**	**(19)**	–	**51,130**	**53,257**	**(304)**	**52,953**
Dividends	–	–	–	–	–	–	–	–	–	–	–	**(28,250)**	**(28,250)**	**(1,450)**	**(29,700)**
Effect of changes in ownership in subsidiaries	–	–	**4,903**	–	–	–	–	–	–	–	–	–	**4,903**	**10,844**	**15,747**
Reclassification	–	–	–	–	**(1,467)**	–	–	–	–	–	–	–	**(1,467)**	–	**(1,467)**
Others	–	–	**95**	–	–	–	–	–	–	–	–	–	**95**	**14**	**109**
	–	–	**4,998**	–	**(1,467)**	–	–	–	–	–	–	**(28,250)**	**(24,719)**	**9,408**	**(15,311)**
At December 31, 2025	**₱11,273**	**₱4,111**	**₱5,953**	**₱1,049**	**₱483**	**₱895**	**₱2,035**	**(₱28)**	**₱1,861**	**(₱701)**	**(₱13)**	**₱146,219**	**₱173,137**	**₱50,387**	**₱223,524**

	Equity Attributable to Equity Holders of the Parent Company														
	Common Stock (Note 16)	Additional Paid-in Capital	Equity Reserve (Note 3)	Employee Stock Purchase Plan (Note 16)	Hedging Reserve (Note 16 and 27)	Unrealized Fair Value Gains on Financial Assets at *FVOCI* (Note 11)	Remeasure-ment Adjustments on Retirement and Other Post-Employment Liabilities (Note 26)	Share in Remeasure-ment Adjustments on Associates' Retirement Liabilities (Note 8)	Share in Other Comprehen-sive Income and Cumulative Translation Adjustments of Associates (Note 8)	Cumulative Translation Adjustments of Subsidiaries	Treasury Shares (Note 16)	Retained Earnings (Note 16)	Equity Attributable to Equity Holders of the Parent Company	Non-controlling Interests (Note 3 and 6)	Total Equity
	(Amounts in millions)														
At January 1, 2024	₱11,273	₱4,111	(₱111)	₱1,049	₱–	₱490	₱3,418	(₱29)	₱307	₱52	(₱11)	₱101,746	₱122,295	₱45,808	₱168,103
Net income	–	–	–	–	–	–	–	–	–	–	–	45,859	45,859	611	46,470
Other comprehensive income (loss)	–	–	–	–	1,277	311	(2,476)	1	518	16	–	–	(353)	–	(353)
Total comprehensive income (loss)	–	–	–	–	1,277	311	(2,476)	1	518	16	–	45,859	45,506	611	46,117
Dividends	–	–	–	–	–	–	–	–	–	–	–	(24,266)	(24,266)	(1,264)	(25,530)
Effect of deconsolidation of Miescor Infrastructure Development Corporation ("*MIDC*")	–	–	–	–	–	–	–	–	–	–	–	–	–	(6,571)	(6,571)
Effect of changes in ownership in CIS Bayad Center, Inc. ("*Bayad*") and Radius Telecoms, Inc. ("*Radius*")	–	–	1,066	–	–	–	–	–	–	–	–	–	1,066	1,079	2,145
Others	–	–	–	–	–	–	–	–	750	(750)	(2)	–	(2)	1,620	1,618
	–	–	1,066	–	–	–	–	–	750	(750)	(2)	(24,266)	(23,202)	(5,136)	(28,338)
At December 31, 2024	₱11,273	₱4,111	₱955	₱1,049	₱1,277	₱801	₱942	(₱28)	₱1,575	(₱682)	(₱13)	₱123,339	₱144,599	₱41,283	₱185,882

	Equity Attributable to Equity Holders of the Parent Company													
	Common Stock (Note 16)	Additional Paid-in Capital	Equity Reserve (Note 3)	Employee Stock Purchase Plan (Note 16)	Unrealized Fair Value Gains (Losses) on Financial Assets at *FVOCI* (Note 11)	Remeasure-ment Adjustments on Retirement and Other Post-Employment Liabilities (Note 26)	Share in Remeasure-ment Adjustments on Associates' Retirement Liabilities (Note 8)	Share in Other Comprehen-sive Income and Cumulative Translation Adjustments of Associates (Note 8)	Cumulative Translation Adjustments of Subsidiaries	Treasury Shares (Note 16)	Retained Earnings (Note 16)	Equity Attributable to Equity Holders of the Parent Company	Non-controlling Interests (Notes 3 and 6)	Total Equity
	(Amounts in millions)													
At January 1, 2023	₱11,273	₱4,111	(₱111)	₱1,049	₱311	₱7,282	(₱16)	(₱30)	₱51	(₱11)	₱85,755	₱109,664	₱14,445	₱124,109
Net income	–	–	–	–	–	–	–	–	–	–	38,023	38,023	655	38,678
Other comprehensive income (loss)	–	–	–	–	179	(3,864)	(13)	337	1	–	–	(3,360)	–	(3,360)
Total comprehensive income (loss)	–	–	–	–	179	(3,864)	(13)	337	1	–	38,023	34,663	655	35,318
Dividends	–	–	–	–	–	–	–	–	–	–	(22,032)	(22,032)	(66)	(22,098)
Effect of consolidation of SP New Energy Corporation ("*SPNEC*")	–	–	–	–	–	–	–	–	–	–	–	–	30,382	30,382
Others	–	–	–	–	–	–	–	–	–	–	–	–	392	392
	–	–	–	–	–	–	–	–	–	–	(22,032)	(22,032)	30,708	8,676
At December 31, 2023	₱11,273	₱4,111	(₱111)	₱1,049	₱490	₱3,418	(₱29)	₱307	₱52	(₱11)	₱101,746	₱122,295	₱45,808	₱168,103

See accompanying Notes to Consolidated Financial Statements.

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31		
		2025	2024	2023
		(Amounts in millions)		
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱63,592**	₱56,684	₱46,789
Adjustments for:				
Depreciation and amortization	*7, 9 and 10*	**17,034**	17,529	16,625
Equity in net earnings of associates and joint ventures	*8*	**(16,731)**	(10,267)	(11,479)
Interest and other financial charges	*17, 18 and 21*	**8,892**	5,302	5,129
Interest and other financial income	*11 and 12*	**(3,459)**	(3,884)	(3,321)
Provision (reversal of provision) for impairment losses	*7 and 8*	**1,200**	(117)	(1,179)
Provision (reversal of provision) for probable losses and expenses from claims – net of settlement	*2 and 29*	**(2,336)**	2,627	791
Provision for expected credit losses ("*ECL*")	*8*	**1,008**	849	998
Others		**(417)**	(141)	5
Operating income before working capital changes		**68,783**	68,582	54,358
Decrease (increase) in:				
Trade and other receivables		**6,825**	(25,335)	9,138
Inventories		**439**	(293)	(753)
Other current assets		**(4,248)**	(1,721)	3,034
Increase (decrease) in:				
Trade payables and other current liabilities		**4,374**	10,565	(2,961)
Customers' deposits		**5,943**	(753)	2,066
Customers' refund		**(2)**	7	(59)
Long-term employee benefits		**3,521**	2,670	2,218
Cash generated from operations		**85,635**	53,722	67,041
Income tax paid		**(13,558)**	(11,712)	(9,067)
Net cash flows provided by operating activities		**72,077**	42,010	57,974
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Utility plant, generation plant and others	*7*	**(106,520)**	(39,150)	(24,800)
Investments in associates and interests in joint ventures	*8*	**(74,774)**	(2,095)	(13)
Financial assets at *FVOCI*	*11*	**(52,532)**	(22,730)	(43,013)
Intangible assets	*10*	**(645)**	(5,361)	(4,137)
Short-term investments		**(130)**	(1,060)	(2,482)
Debt securities at amortized cost	*11*	**(1)**	(247)	(1,058)
Investment properties	*9*	**–**	–	(2)
Proceeds from maturity of:				
Financial assets at *FVOCI*		**53,709**	23,161	43,039
Debt securities at amortized cost		**8,834**	7,710	20,761
Short-term investments		**–**	1,059	2,675
Increase (decrease) in non-controlling interests		**–**	881	454
Dividends received from associates and joint ventures		**9,181**	10,253	10,106
Interest and other financial income received		**3,513**	3,900	3,120
Proceeds from cash flow hedge	*16*	**399**	2,238	–
Proceeds from disposal of utility plant, generation plant and others		**105**	194	7
Acquisition of *SPNEC* – net of *SPNEC*'s cash upon acquisition	*3*	**–**	–	(5,853)
Decrease in Other noncurrent assets		**(291)**	2,484	2,765
Net cash provided by (used in) investing activities		**(159,152)**	(18,763)	1,569

(Forward)

	Note	Years Ended December 31 **2025**	2024	2023
			(Amounts in millions)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availment of:				
Interest-bearing long-term financial liabilities	*17 and 33*	**₱143,597**	₱6,523	₱2,803
Notes payable	*21 and 33*	**20,389**	7,742	1,331
Payments of:				
Dividends	*16 and 33*	**(27,416)**	(23,823)	(21,691)
Notes payable		**(18,309)**	(1,038)	(3,239)
Interest and other financial charges		**(9,447)**	(2,608)	(4,564)
Interest-bearing long-term financial liabilities	*17 and 33*	**(9,103)**	(8,133)	(8,500)
Proceeds from capital infusion of a non-controlling shareholder of a subsidiary		**17,794**	–	–
Dividends paid by subsidiaries attributable to non-controlling interests		**(1,751)**	–	–
Increase (decrease) in other noncurrent liabilities		**(3,234)**	(254)	1,255
Net provided by (cash used) in financing activities		**112,520**	(21,591)	(32,605)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**25,445**	1,656	26,938
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**84,480**	82,789	55,832
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		**(608)**	35	19
CASH AND CASH EQUIVALENTS AT END OF YEAR	*12*	**₱109,317**	₱84,480	₱82,789

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

The businesses of Manila Electric Company ("*MERALCO*") and its subsidiaries (the "*MERALCO Group*") consist of certain unregulated and regulated segments of the energy supply chain. The regulated business segment covers the electricity distribution business of *MERALCO*, Clark Electric Distribution Corporation ("*Clark Electric*"), and Shin Clark Power Corporation ("*Shin Clark*"). On the other hand, the unregulated businesses consist of power generation; retail electricity supply ("*RES*"); engineering design, construction and consultancy, payment fulfilment, bills collection and fintech, after-the-meter and energy management, insurance and reinsurance; electric mobility; and telecommunication and information technology services.

MERALCO holds a 25-year congressional franchise under Republic Act ("*RA*") No. 9209 valid through June 28, 2028 to construct, operate, and maintain the electric distribution system in the cities and municipalities of Bulacan, Cavite, Metro Manila, and Rizal and certain cities, municipalities and barangays in the provinces of Batangas, Laguna, Pampanga, and Quezon. The Energy Regulatory Commission ("*ERC*") granted *MERALCO* a consolidated Certificate of Public Convenience and Necessity ("*CPCN*") for the operation of electric service within its franchise area, which shall be valid within the franchise period. The franchise of *MERALCO* has been renewed for another 25 years through 2053 under *RA* No. 12146, "An Act Renewing for another Twenty-Five (25) Years the Franchise Granted to the Manila Electric Company" under *RA* No. 9209, entitled "An act granting the Manila Electric Company a franchise to construct, operate and maintain a distribution system for the conveyance of electric power to the end-users in the Cities/Municipalities of Metro Manila, Bulacan, Cavite and Rizal, and certain Cities/Municipalities/Barangays in Batangas, Laguna, Quezon and Pampanga".

Clark Electric, a 65%-owned subsidiary of *MERALCO* is a registered private distribution utility with a franchise granted by Clark Development Corporation ("*CDC*") to own, operate and maintain the electric distribution system within the Clark Freeport Zone and the sub-zones. The *Clark Electric* franchise is valid through October 2047.

Through a 60%-owned subsidiary, *Shin Clark*, *MERALCO* together with a consortium, composed of Axia Power Holdings Philippines Corporation (a wholly-owned subsidiary of Marubeni Corporation), KPIC Netherlands BV [a wholly-owned subsidiary of the Kansai Electric Power, Inc. ("*Kansai*")], and Chubu Electric Power Co., Inc. ("*Chubu*"), hold a 90% interest in Shin Clark Power Corporation ("*Shin Clark Power")*. *Shin Clark Power* is a company formed by *MERALCO* and the Bases Conversion and Development Authority ("*BCDA*") and bound by a 25-year joint venture agreement to provide electricity distribution services within the New Clark City ("*NCC*"). *NCC* consists of a 9,450 hectare development within the Clark Special Economic Zone located in Capas and Bamban towns in the Tarlac province.

MERALCO also manages the electric distribution facilities of Pampanga Electric Cooperative II ("*PELCO II*") through Comstech Integration Alliance, Inc. ("*Comstech*") under a 25-year Investment Management Contract ("*IMC*") until August 10, 2034 and that of the Cavite Economic Zone ("*CEZ*") under a 25-year concession agreement with Philippine Economic Zone Authority ("*PEZA*") until May 25, 2039.

The *RES* businesses are executed directly through the local *RES* units, *MPower* for *MERALCO* and *Cogent Energy* for *Clark Electric,* and indirectly through the following affiliate *RES* entities: Vantage Energy Solutions and Management, Inc. ("*Vantage*"), MeridianX Inc. ("*MeridianX*"), Phoenix Power Solutions, Inc. ("*Phoenix Power*") and MGen Retail Electricity Supplier Corporation ("*MGen RES*") formerly Global Energy Supply Corporation ("*GESC*"). Clarion Energy Management Inc. ("*Clarion*"), a wholly-owned subsidiary of *Clark Electric,* re-filed its application for a *RES* license with the *ERC* on October 20, 2025. Subsequently, on December 12, 2025, the *ERC* issued the *RES* license.

MERALCO PowerGen Corporation ("*MGen*"), a wholly owned subsidiary of *MERALCO*, owns and operates a total of 5,069.7 *MW* of power generating plants of varying technologies. Its operations is anchored on three (3) pillars: (i) 1,286.2 *MW* of thermal plants held through Global Business Power Corporation ("*GBPC*") and San Buenaventura Power Ltd. Co. ("*SBPL*"); (ii) 3,375.0 *MW* of liquefied natural gas ("*LNG*") plants in the Philippines and Singapore through Chromite Gas Holdings, Inc. ("*Chromite Holdings*") and PacificLight Power Pte. Ltd. ("*PacificLight Power*"); and (iii) 408.5 *MWac* of renewable energy plants through MGEN Renewable Energy, Inc. ("*MGreen*"). Through SP New Energy Corporation ("*SPNEC*"), it is developing a 3500 *MWdc* solar power plant with a 4,500 *MWh* battery energy storage system.

MERALCO is owned directly by two (2) major shareholder groups, Metro Pacific Investments Corporation ("*Metro Pacific*") and JG Summit Holdings, Inc. ("*JG Summit*").
As at December 31, 2025, *Metro Pacific* has combined direct equity interest in *MERALCO* and indirect ownership through its wholly-owned subsidiary, Beacon Electric Asset Holdings, Inc. *Metro Pacific*'s combined direct and indirect ownership interests in *MERALCO* totaled 47.46% while *JG Summit* has 26.37% direct ownership interest in *MERALCO.* The remaining 26.17% common shares are held by institutional investors and the public.

The shares of *MERALCO* are listed and traded in the Philippine Stock Exchange ("*PSE*") with ticker symbol, *MER.*

The registered office address of *MERALCO* is Lopez Building, Ortigas Avenue, Barangay Ugong, Pasig City, Metro Manila, Philippines.

The consolidated financial statements were approved and authorized for issue by the Board of Directors ("*BOD*") on February 25, 2026.

2. Rate Regulations

As distribution utilities ("*DU*s"), *MERALCO, Clark Electric* and *Shin Clark Power* are subject to the rate-making regulations and regulatory policies of the *ERC.* Billings of *MERALCO, Clark Electric* and *Shin Clark Power* to customers are itemized or "unbundled" into a number of bill components that reflect the various activities and costs incurred in providing electricity distribution services. The adjustment to each bill component is determined in accordance with *ERC*-approved mechanism that governs the recovery of pass-through charges, address over- or under- recoveries, and establish *MERALCO*'s distribution, supply and metering charges.

The following is a discussion of matters related to rate-setting of *MERALCO* and *Clark Electric*:

Performance-Based Regulations ("*PBR*")

MERALCO

MERALCO is among the Group A entrants to the *PBR*, together with three (3) other private *DU*s.

Rate-setting under *PBR* framework for the first Regulatory Period ("*RP*"), effective from July 1, 2026 to June 30, 2030 ("*1RP*"), is governed by the Rationalized Rules for the Setting of Distribution Wheeling Rates ("*RRDWR*"). Under *PBR*, tariffs are set once every *RP* based on a rate-setting framework which includes the required operating and capital expenditures as well as regulated return on the regulatory asset base ("*RAB*") of each *DU*, to meet operational performance and service level requirements responsive to the need for adequate, reliable and quality power, efficient service, and growth of all customer classes in the franchise area as approved by the *ERC*. *PBR* also employs a mechanism that penalizes or rewards a *DU* depending on its network and service performance.

Rate filings and settings are done on a *RP* basis. One (1) *RP* consists of four (4) Regulatory Years ("*RY*s"). Each *RY* for *MERALCO* begins on July 1 and ends on June 30 of the following year.

Implemented Distribution Rate During Lapsed Period

The *ERC*'s approved average rate for the Lapsed Period is ₱1.3522 per *kWh*. *MERALCO* was authorized to continue implementing the said rate until otherwise directed, net of the Regulatory Reset Fees in the amount of ₱0.0023 per *kWh*, which is directed to no longer be collected under *ERC* Resolution No. 18, Series of 2024.

MERALCO recognized provisions for any resulting over-recoveries. The movements in and the balance of the "Other noncurrent liabilities" and "Trade payables and other current liabilities" accounts in the consolidated statements of financial position include these provisions, consistent with the limited disclosure as allowed in Philippine Financial Reporting Standards ("*PFRS*") Accounting Standards as it may prejudice the position of *MERALCO*.

Regulatory Reset Costs

On December 17, 2024, in *ERC* Resolution No. 18, Series of 2024, the *ERC* also required *DU*s under *PBR* to refund the collected regulatory reset costs from July 2015 to October 2024, including interest. In the case of *MERALCO*, it was directed to refund the amount of ₱987.2 million, subject to further verification by the *ERC*. *MERALCO* implemented a one-time refund of ₱0.226 per *kWh* in its February 2025 billing, as a separate line item in its electricity bill to customers and no longer collect, as part of its distribution wheeling rate, the amount of ₱0.0023 per *kWh*, representing the regulatory reset costs. While *MERALCO* complied with the directives, in a letter dated January 17, 2025, *MERALCO* wrote the *ERC* to ask for the basis for the computations and basis for the refund. As at February 25, 2026, the *ERC* has yet to reply to *MERALCO*'s letter.

Distribution Rate True-Up ("DRTU") Applications

The *ERC*'s initial Orders for *DRTU* refunds totaling ₱48,247 million were implemented starting 2021 and have been fully refunded to the customers as of the May 2023 billing. This resulted in an excess refund of ₱862 million, which has been reported to the *ERC* in June 2023, including a proposed recovery mechanism. As at February 25, 2026, the *ERC* has not responded to *MERALCO*'s letter.

Several intervenors have filed petitions before the Court of Appeals ("*CA*") and the Supreme Court ("*SC*") questioning the *ERC*'s decision approving the *DRTU* refund application. As at February 25, 2026, the petitions are pending before the *CA* and *SC*.

In compliance with the Order dated December 17, 2024, *MERALCO* filed an application for the confirmation of the true-up calculation of the *AWAT* for the period July 1, 2022 to December 31, 2024. The application also included *MERALCO*'s proposal to offset the recovery of the over refund from the implementation of previous orders of *DRTU* refunds. In an Order dated March 5, 2025, the *ERC* directed the refund of ₱19.9 billion, or an equivalent average refund rate of ₱0.1189 per *kWh* for all customer classes but excluded the recovery of over-refund from the previous *AWAT* refund implementation as this was still to be verified by the *ERC*. *MERALCO* implemented the refund starting in its April 2025 billings. As at February 25, 2026, hearings at the *ERC* have been completed and *MERALCO* has filed its Formal Offer of Evidence.

Additionally, on September 25, 2025, *MERALCO* filed an application for the confirmation of the true-up calculation of the *AWAT* for the period January 1, 2025 to June 30, 2025. As at February 25, 2026, *MERALCO* is awaiting further action from the *ERC*.

Under *ERC* Resolution No. 23, Series of 2025, entitled, "A Resolution Directing All Private Distribution Utilities ("*PDU*s") to File Their Respective *AWAT* Applications for the Lapsed Period", the *ERC* resolved to adopt a confirmation and true-up process in determining the rates of the *PDU*s to address the lapsed period for their respective Entry Groups and defined the lapsed period for each Entry Group. The *ERC* then directed all *PDU*s to file an application for the confirmation of their *AWAT* as against their last approved rates, within sixty (60) calendar days from the effectivity of the Resolution. However, in *ERC* Resolution No. 1, Series of 2026, the *ERC* clarified the timeline for filing of the *AWAT* and directed all *PDU*s to file, within one hundred twenty (120) days from the effectivity of the *AWAT* Resolution on November 22, 2025, or until March 22, 2026. As at February 25, 2026, *MERALCO* is set to file its application covering the period from July 1, 2025 to December 31, 2025 on or before the stated deadline.

Capital Expenditures ("CAPEX")

Absent the final rules governing the lapsed period from *RY* 2016, *MERALCO* filed its applications for approval of authority to implement its *CAPEX* program for each of the *RY*s beginning July 1, 2015 until June 30, 2022. This is consistent with the provisions of Section 20(b) of Commonwealth Act No. 146, as amended, otherwise known as the Public Service Act. For forecast *CAPEX* after June 30, 2022, the proposals were filed as part of *MERALCO*'s regulatory reset applications.

Except with respect to partial approval by the *ERC* of the *RY* 2016 *CAPEX* amounting to ₱15,466 million and provisional authority granted by the *ERC* to implement certain projects for *RY* 2017 amounting to ₱8,758 million, all other applications remain pending with the *ERC*. As at February 25, 2026, *MERALCO* is awaiting the final resolution and approval of the *ERC*.

Pending *ERC*'s approval, *MERALCO* manifested several projects as "urgent" or "emergency in nature" and proceeded with the implementation of said *CAPEX*.

Regulatory Reset Process Application

MERALCO filed its reset application for the new 5*RP*, covering the period from *RY* 2026 to *RY* 2029, on February 7, 2025. As the first *RY* of this reset period lapsed, *MERALCO* filed an Omnibus Motion to: (a) withdraw the application; (b) allow *MERALCO* to re-file its 5*RP* Application to cover the period from *RY*2027-*RY*2030; and (c) to consider *RY*2026 as lapsed period. In an Order dated January 30, 2026, the *ERC* issued an Order allowing the withdrawal of the Application and directed *MERALCO* to file its new regulatory reset application in accordance with the *RRDWR*.

In accordance with the *RRDWR*, on February 2, 2025, *MERALCO* filed its regulatory reset application for the *1RP*, covering the period from July 1, 2026 to June 30, 2030. In an Order dated February 6, 2026, the *ERC* set the case for initial hearings on March 3 and 10, 2026, respectively.

Clark Electric

Similar to *MERALCO, Clark Electric* is subject to operational performance and service level requirements approved by the *ERC*.

On December 3, 2025, the *ERC* issued *ERC* Resolution No. 24, Series of 2025, adopting the *RRDWR* for *PDU*s under *PBR*. Pursuant thereto, *Clark Electric* was reclassified from Group D to Group B. Under the *RRDWR*, the first *RY* for Group B will commence on January 1, 2027 and end on December 31, 2027.

PBR Reset for Clark Electric

During its lapsed period, *Clark Electric* continued to bill its customers using the last approved *MAP* for *RY* 2015. In parallel, *Clark Electric* annually filed and manifested as urgent its *CAPEX* requirements with the *ERC* to enable the timely implementation of critical infrastructure projects. As at February 25, 2026, the *CAPEX* applications covering *RY* 2015 to *RY* 2024 remain pending with the *ERC* while *CAPEX* application for *RY* 2025 to *RY* 2026 is still pending filing with the *ERC*.

Following the adoption of the *RRDWR, Clark Electric* is currently preparing its Application for the Approval of the Annual Revenue Requirement ("*ARR*") and the Performance Incentive Scheme ("*PIS*") for the first *RY*, including the approval of the Maximum Average Price ("*MAP*") for *RY 2027*, and the translation of the approved *MAP* into a distribution rate structure for its various customer classes, in accordance with the provisions of the *RRDWR*.

Clark Electric recognized provisions for any resulting over-recoveries. The movements in and the balance of the "Provisions" account in the consolidated statements of financial position include these provisions, consistent with the limited disclosure as allowed in *PFRS* Accounting Standards as it may prejudice the position of *Clark Electric*.

SC Decision on Unbundling Rate Case

On May 30, 2003, the *ERC* approved *MERALCO*'s unbundled tariffs that resulted in a total increase of ₱0.17 per *kWh* over the May 2003 tariff levels. On December 6, 2006, the *SC* En Banc set aside and reversed the *CA* ruling saying that *COA* audit is not a prerequisite in the determination of a utility's rates. However, the *SC* directed the *ERC* to request *COA* to conduct an audit of the books, records and accounts of *MERALCO*. The *COA* then submitted its audit report to the *ERC*.

On June 21, 2011, the *ERC* maintained its Decision dated March 20, 2003, and stated that the *COA* recommendation to apply disallowances under *PBR* to rate unbundling violates the principle against retroactive rate-making. On appeal, in a Decision dated November 13, 2019, the *SC*: (i) voided the adoption by the *ERC* of the current or replacement cost in the valuation of *MERALCO*'s *RAB*; and (ii) remanded the case to the *ERC* to determine, within 90 days from finality of the Decision: (a) the valuation of the *RAB* of *MERALCO*; and (b) the parameters whether expenses that are not directly and entirely related to the operation of a *DU* shall be passed on wholly or partially to consumers. The *SC* Decision is now final and executory.

Under *ERC* Resolution No. 19, Series of 2025, the *ERC* adopted its policy direction in compliance with the *SC* Decision. The *ERC* clarified that the ruling only applies to *MERALCO*'s unbundled rates from June 2003 to June 2007 and does not extend to other *DU*s, regulatory periods or affects final *ERC* decisions. The *ERC* also adopted the trending method for valuing *MERALCO*'s *RAB* for the affected period. A separate Order will be issued to *MERALCO* to submit a revised *RAB* valuation for the covered period using the trending method. The *ERC* will likewise determine the parameters for the pass-through of expenses not directly and entirely related to distribution operations for the same period. As at February 25, 2026, *MERALCO* is awaiting the *ERC*'s Order with respect to the revised *RAB* valuation.

Applications for the Confirmation of Under- or Over-recoveries of Pass-through Charges

MERALCO

The *ERC* issued resolutions to govern the recovery of pass-through costs, including under- or over-recoveries with respect to the following bill components: generation charge, transmission charge, *SL* charge, lifeline and inter-class rate subsidies, senior citizen discounts, real property, local franchise and business taxes, including the timelines for *DU*s to file their respective application and post-verification.

On various dates, the *ERC* provisionally approved *MERALCO*'s applications to refund net over-recoveries of generation, transmission, net lifeline subsidy, *SL* and net senior citizens discount totalling ₱657.4 million (February 2011 to October 2013) and ₱6,927 million (January 2014 to December 2016). As at February 25, 2026, *MERALCO* is awaiting final resolution of the *ERC*.

Separately, *MERALCO* also filed for recovery of net under-recoveries of generation charge for special programs of ₱250.7 million, excluding carrying charges, covering the period March 2007 to December 2011. As at February 25, 2026, the *ERC* has not acted on such application.

On June 1, 2023, *MERALCO* filed an application with the *ERC* to confirm its net generation charge under-recoveries of ₱6,413 million, net transmission charge under-recoveries of ₱607 million, net lifeline subsidy over-recoveries of ₱1 million, net *SL* under-recoveries of ₱764 million and net senior citizen discount over-recoveries of ₱3 million from January 2020 to December 2022, and net real property tax ("*RPT*") under-recoveries of ₱229 million and net local franchise tax ("*LFT*") over-recoveries of ₱27 million from January 2021 to December 2022. Initial hearings were conducted.

Relative to said true-up confirmation, in the Decision dated March 8, 2023, received on August 29, 2023, which approved the termination of the Power Supply Agreement ("*PSA*") between *MERALCO* and Panay Energy Development Corporation ("*PEDC*"), *MERALCO* was directed to include *PEDC*'s actual fuel losses due to Change in Circumstances ("*CIC*") from April 2 to September 25, 2022, amounting to ₱884 million as part of *MERALCO*'s true-up confirmation for *ERC*'s evaluation.

In compliance therewith, *MERALCO* filed a Motion for Leave to Admit Attached Supplemental Application with the *ERC* on October 3, 2023 to be allowed to recover the additional amount of ₱884 million pertaining to the recovery of the *CIC* claims of *PEDC*. In an Order dated February 16, 2026, the *ERC* directed *MERALCO* to comply with the pre-filing requirements for its Supplemental Application dated September 29, 2023 and to submit its written compliance within five (5) calendar days from receipt of said Order. As at February 25, 2026, *MERALCO* filed its Compliance with the Order.

For the period from January 2023 to December 2025, *MERALCO* is also set to file its application to confirm its over/under recoveries on or before March 30, 2026.

Clark Electric

Clark Electric filed an application for the approval of its first calculations for the Automatic Cost Adjustment and True-up Mechanism for generation, transmission and *SL* rates on April 1, 2014 covering the period January 2011 to December 2013 in conformity with the *ERC* resolutions. After a clarificatory meeting with the *ERC, Clark Electric* filed a Manifestation for the implementation of the January 2017 *ERC* Decision starting in its March 2022 billing. The Other Transmission Cost Adjustment ("*OTCA*") and Other Generation Rate Adjustment ("*OGA*") were fully refunded and the Other System Loss Cost Adjustment ("*OSLA*") was fully collected in April 2023.

Clark Electric completed the implementation of *ERC* Orders related to the Automatic Cost Adjustment and True-up Mechanism for generation, transmission and system loss rates which covered years 2014 through 2019.

On May 31, 2023, *Clark Electric* filed its fourth True-up Application covering the years 2020-2022 with the *ERC*. Hearings were conducted on August 24 and 31, 2023. As at February 25, 2026, the application remains pending with the *ERC*.

Application for Approval of the Staggered Recovery and Payment of the Differential Generation Charge for February 2017 Supply

On January 31, 2017, *MERALCO* filed an Application seeking the *ERC*'s approval of the staggered recovery and payment scheme for the generation charge for the February 2017 supply month to mitigate the impact of scheduled outages and maintenance of certain generation power plants. On March 6, 2017, the *ERC* provisionally approved the recovery of the incremental fuel cost through a staggered scheme. The incremental fuel cost was included in the March 2017 until May 2017 billings to customers. As at February 25, 2026, the *ERC* has not issued its final decision.

Application for the Recovery of Differential Generation Costs

On February 17, 2014, *MERALCO* filed for the recovery of the unbilled generation costs for December 2013 supply month amounting to ₱11,075 million. An amended application was filed on March 25, 2014 to adjust the unbilled generation costs for recovery to ₱1,310 million, following the receipt of the Wholesale Electricity Spot Market ("*WESM*") billing adjustments based on regulated

Luzon *WESM* prices. The *ERC* suspended the proceedings, pending resolution of related cases at the *SC* involving generation costs for the November and December 2013 supply months and the regulated *WESM* prices for the said period.

In a Decision dated August 3, 2021, the *SC* voided the March 3, 2014 Order of the *ERC* which imposed regulated *WESM* prices for the November and December 2013 supply months. The Decision is now final and executory and entry of judgement has been issued by the *SC*. In a letter dated September 25, 2023, *MERALCO* wrote the *ERC* on its proposed recovery mechanism for the November and December 2013 supply months as a result of the Decision. As directed by the *ERC*, *MERALCO* and the Independent Electricity Market Operator ("*IEMOP*") have completed the reconciliation of the final amount to be recovered, and have sent a joint letter dated March 12, 2024 to the *ERC*. As at February 25, 2026, the same is pending with the *ERC*.

Deferred Purchase Price Adjustment

On October 12, 2009, the *ERC* released its findings on *MERALCO*'s implementation of the collection of the approved pass-through cost under-recoveries for the period June 2003 to January 2007 which *MERALCO* has implemented beginning November 2009 until September 2010. However, the *ERC* did not rule on *MERALCO*'s deferred *PPA* under-recoveries of ₱106 million. On November 4, 2009, *MERALCO* filed an *MR* with the *ERC*. As at February 25, 2026, the *MR* is still pending resolution by the *ERC*.

Applications for Recovery of LFT

MERALCO has filed distinct applications with request for provisional authority to implement new *LFT* rates based on Ordinances from the cities of Manila, Quezon, Binan, Makati, Valenzuela, Taguig and Pasig. Some hearings have been completed and are awaiting final approval. Applications for recovery of taxes paid have been filed and pending decision of the *ERC*.

Thereafter, *LFT* paid are subject to a pass-though mechanism under the *ERC* Resolution No. 2, Series of 2021, "Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes").

SC Decision on the ₱0.167 per kWh Refund

Following the *SC*'s final ruling that directed *MERALCO* to refund affected customers ₱0.167 per *kWh* for billings made from February 1994 to April 2003, the *ERC* approved the release of the refund in four (4) phases. On December 18, 2015, *MERALCO* filed a Motion seeking the *ERC*'s approval for the continuation of the implementation of the refund to eligible accounts or customers under Phases I to IV, three (3) years from January 1, 2016 or until December 31, 2018. In said Motion, *MERALCO* likewise manifested to the *ERC* that, in order to give eligible customers the opportunity to claim their refund, and, so as not to disrupt the *SC* Refund process, *MERALCO* shall continue implementing the refund even after the December 2015 deadline, until and unless the *ERC* directs otherwise. In its Order dated December 18, 2019, the *ERC* granted *MERALCO*'s Motion authorizing *MERALCO* to continue the implementation of the *SC* Refund to eligible accounts or customers under Phases I to IV until June 30, 2019 and submit a proposed scheme for the unclaimed refund. On February 18, 2019, *MERALCO* filed a Partial Compliance with Manifestation and Motion. On March 8, 2019, *MERALCO* filed a Compliance with Manifestation and Motion.

On July 12, 2019, *MERALCO* filed its Compliance with Manifestation informing the *ERC* of its action taken with respect to all the unclaimed amounts of the *SC* Refund. On September 10, 2019, *MERALCO* filed an Urgent Manifestation and Motion with respect to the Order dated

December 19, 2018 of the *ERC*. The *ERC* has yet to rule on the Urgent Manifestation and Motion by *MERALCO*. In its letter dated July 23, 2020, *MERALCO* informed the *ERC* of the updated balance of the *SC* Refund. *MERALCO* continues to process the refund claims of eligible customers.

An *ERC*-ordered audit of the *SC* Refund process and balance was performed by an independent firm of accountants in 2021. As at February 25, 2026, there has been no further action from the *ERC*.

See Note 20 – Customers' Refund.

3. Statement of Compliance and Basis of Consolidation

Statement of Compliance

The consolidated financial statements of *MERALCO* and its subsidiaries have been prepared in compliance with *PFRS* Accounting Standards.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of *MERALCO* and its directly and indirectly owned subsidiaries, collectively referred to as the *MERALCO Group.* The following table presents such subsidiaries and the respective percentage of ownership:

			2025		2024	
			Percentage of Ownership			
Subsidiaries	Place of Incorporation	Principal Business Activity	Direct	Indirect	Direct	Indirect
Corporate Information Solutions, Inc. ("*CIS*")	Philippines	e-Transactions	**100**	**–**	100	–
Bayad	Philippines	Bills payment collection	**5**	**87.75**	5	87.75
Customer Frontline Solutions, Inc. ("*CFSI*") [4]	Philippines	Tellering services	**–**	**–**	–	100
Meralco Energy, Inc. ("*MServ*")	Philippines	Energy systems management	**100**	**–**	100	–
Aurora Managed Power Services, Inc. ("*AMPSI*") [1]	Philippines	Energy systems management	**–**	**60**	–	60
eMeralco Ventures, Inc. ("*e-MVI*")	Philippines	e-Business development	**100**	**–**	100	–
Paragon Vertical Corporation ("*Paragon*")	Philippines	Information technology *("IT")* and multi-media services	**–**	**100**	–	100
Radius	Philippines	Telecommunication services	**–**	**65.10**	–	65.10
MGen	Philippines	Development of power generation plants	**100**	**–**	100	–
Calamba Aero Power Corporation [2]	Philippines	Power generation	**–**	**100**	–	100
Atimonan Land Ventures Development Corporation	Philippines	Real estate	**–**	**100**	–	100
Atimonan One Energy, Inc. ("*A1E*") [2]	Philippines	Power generation	**–**	**100**	–	100
MPG Mauban LP Corporation	Philippines	Holding company	**–**	**100**	–	100
MPG Holdings Phils., Inc.	Philippines	Holding company	**–**	**100**	–	100
MPG Asia Limited ("*MPG Asia*")	British Virgin Islands	Holding company	**–**	**100**	–	100
Solvre, Inc. [2]	Philippines	Retail electricity supplier	**–**	**100**	–	100
MGreen	Philippines	Renewable energy	**–**	**100**	–	100
LagunaSol Corporation ("*LagunaSol*") [2]	Philippines	Renewable energy	**–**	**100**	–	100
Greentech Solar Energy, Inc. *("GSEI")*	Philippines	Renewable energy	**–**	**100**	–	100
MGreen International Limited ("*MGreen International*")	British Virgin Islands	Holding company	**–**	**100**	–	100
Global Hydro Power Corporation	Philippines	Power generation	**–**	**100**	–	100

Subsidiaries	Place of Incorporation	Principal Business Activity	**2025** Percentage of Ownership Direct	**2025** Percentage of Ownership Indirect	2024 Percentage of Ownership Direct	2024 Percentage of Ownership Indirect
PacificLight Renewables Pte Ltd ("*PLP Renewables*")	British Virgin Islands	Investment and holding company	**–**	**58**	**–**	58
Nortesol III Inc. ("*NorteSol*") [2]	Philippines	Renewable energy	**–**	**70**	–	70
Powersource First Bulacan Solar, Inc. ("*First Bulacan*")	Philippines	Renewable energy	**–**	**60**	–	60
CACI Power Corporation	Philippines	Power generation	**–**	**60**	–	60
PH Renewables Inc. ("*PHRI*")	Philippines	Power generation	**–**	**60**	–	60
Greenergy For Global Inc. ("*Greenergy*")	Philippines	Renewable energy	**–**	**98.16**	–	98.16
SPNEC	Philippines	Development of power generation plants	**–**	**69.25**	–	53.70
Terra Nueva, Inc. ("*TNI*")	Philippines	Real estate	**–**	**69.25**	–	53.70
Solar Philippines Tarlac Corporation ("*Solar Philippines Tarlac*")	Philippines	Renewable energy	**–**	**69.25**	–	53.70
Terra Solar Philippines, Inc. ("*MTerra Solar*")	Philippines	Renewable energy	**–**	**41.55**	–	53.70
Solar Philippines Calatagan Corporation ("*Solar Philippines Calatagan*")	Philippines	Renewable energy	**–**	**42.94**	–	33.30
SP Holdings, Inc.	Philippines	Holding company	**–**	**69.25**	–	53.70
GBPC	Philippines	Holding company	**–**	**100**	–	100
ARB Power Ventures, Inc.	Philippines	Holding company	**–**	**100**	–	100
Toledo Power Company ("*TPC*")	Philippines	Power generation	**–**	**100**	–	100
Toledo Holdings Corporation	Philippines	Real estate		**100**		100
Global Trade Energy Resources Corp.	Philippines	Trading of coal	**–**	**100**	–	100
GBH Power Resources, Inc.	Philippines	Power generation	**–**	**100**	–	100
MGen RES	Philippines	Retail electricity supplier	**–**	**100**	–	100
Toledo Energy Development Corporation formerly Mindanao Energy Development Corporation	Philippines	Power generation	**–**	**100**	–	100
Global Renewable Power Corporation	Philippines	Renewable energy	**–**	**100**	–	100
Panay Power Holdings Corporation	Philippines	Holding company	**–**	**89.30**	–	**89.30**
PEDC	Philippines	Power generation	**–**	**89.30**	–	**89.30**
Panay Power Corporation ("*Panay Power*")	Philippines	Power generation	**–**	**89.30**	–	**89.30**
Global Formosa Power Holdings, Inc.	Philippines	Holding company	**–**	**93.20**	–	**93.20**
Cebu Energy Development Corporation ("*CEDC*")	Philippines	Power generation	**–**	**52**	–	52
Global Luzon Energy Development Corporation ("*GLEDC*")	Philippines	Power generation	**–**	**57**	–	57
Lunar Power Core, Inc.	Philippines	Holding company	**–**	**57**	–	57
MGen Gas Energy Holdings, Inc. ("*MGas*")	Philippines	Holding company	**–**	**100**	–	100
MSpectrum, Inc. ("*Spectrum*")	Philippines	Renewable energy	**100**	**–**	100	–
Vantage	Philippines	Retail electricity supplier	**100**	**–**	100	–
Meralco Financial Services Corporation ("*Finserve*")	Philippines	Property management and leasing	**100**	**–**	100	–
Lighthouse Overseas Insurance Limited ("*LOIL*")	Bermuda	Insurance	**100**	**–**	100	–
MRAIL, Inc. ("*MRail*")	Philippines	Engineering, construction and maintenance of mass transit system	**100**	**–**	100	–
Phoenix Power [2]	Philippines	Retail electricity supplier	**100**	**–**	100	–
Movem Electric, Inc. ("*Movem*")	Philippines	Maintenance and operation of transport service networks	**100**	**–**	100	–

Subsidiaries	Place of Incorporation	Principal Business Activity	**2025** Percentage of Ownership Direct	**2025** Percentage of Ownership Indirect	2024 Percentage of Ownership Direct	2024 Percentage of Ownership Indirect
Meralco Industrial Engineering Services Corporation ("*MIESCOR*") [3]	Philippines	Engineering, construction and consulting services	**99.74**	**–**	99.74	–
Miescor Builders Inc. ("*MBI*")	Philippines	Electric transmission and distribution operation and maintenance services	**–**	**99.74**	–	99.74
Miescor Logistics Inc. ("*MLI*")	Philippines	General services, manpower/maintenance	**–**	**99.74**	–	99.74
Customer Frontline Solutions, Inc. ("*CFSI*") [4]	Philippines	Tellering services	**–**	**99.74**	–	–
Clark Electric	Philippines	Power distribution	**65**	**–**	65	–
Clarion [2]	Philippines	Retail electricity supplier	**–**	**65**	–	65
Comstech	Philippines	Management of power distribution	**60**	**–**	60	–
MeridianX	Philippines	Retail electricity supplier	**–**	**60**	–	60
Greater Pampanga Power Corp. [2]	Philippines	Power distribution	**–**	**60**	–	60
Meridian Power Ventures Limited ("*MPV Limited*") [2]	Hongkong	Investment holdings	**100**	**–**	100	–
Shin Clark	Philippines	Holding company	**60**	**–**	60	–
Shin Clark Power	Philippines	Power distribution	**–**	**54**	–	54

[1] *The BOD of AMPSI approved the dissolution and shortening of corporate life until March 31, 2021. As of December 31, 2025, the dissolution and shortening of corporate life of AMPSI is still pending approval by the SEC.*
[2] *Has not started commercial operations.*
[3] *MIESCOR Retirement Fund has less than 1% equity interest in MIESCOR.*
[4] *In September 2025, MIESCOR completed the acquisition of 400,000 common shares of CFSI from Bayad, representing 100% equity interests.*

The *MERALCO Group* controls an investee if and only if it has (a) power over the investee; (b) exposure or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect its returns.

When the *MERALCO Group* has less than majority of the voting or similar rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual arrangements; and (c) the *MERALCO Group*'s voting rights and potential voting rights.
The *MERALCO Group* re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one (1) or more of the three (3) elements of control. Consolidation of a subsidiary begins when the *MERALCO Group* obtains control over the subsidiary and ceases when it loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date it gains control until the date it ceases to control the subsidiary.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events with similar circumstances. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not attributed, directly or indirectly, to *MERALCO*.

Non-controlling interests account is presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the parent company.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if such results in a deficit.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. In transactions where the non-controlling interest is acquired or sold without loss of control, any excess or deficit of consideration paid over the carrying amount of the non-controlling interest is recognized as part of "Equity reserve" account in the equity attributable to the equity holders of the parent company in the consolidated statement of financial position.

If the *MERALCO Group* loses control over a subsidiary, it: (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary; (b) derecognizes the carrying amount of any non-controlling interest; (c) derecognizes the cumulative translation adjustments deferred in equity; (d) derecognizes the equity reserve attributable to the change in ownership of the subsidiary without loss of control; (e) recognizes the fair value of the consideration received; (f) recognizes the fair value of any investment retained; (g) recognizes any surplus or deficit in profit or loss; and (h) reclassifies *MERALCO*'s share of components previously recognized in the consolidated statement of comprehensive income to the consolidated statement of income.

Changes in Ownership

MTerra Solar

In March 2025, Actis Rubyred (Singapore) Pte. Ltd., through its wholly owned subsidiary Actis Rubyred (Philippines) Holdings, Inc. ("*Actis*"), completed its subscription of a 40% equity stake in *MTerra Solar*, subject to certain conditions, for a total consideration of ₱29.9 billion. As part of this investment deal, *Actis* infused ₱17.8 billion in cash into *MTerra Solar*. Consequently, unpaid subscription price amounting to ₱12.1 billion was recognized as subscription receivable. On December 17, 2025, *MGreen* and *Actis* entered into a Memorandum of Agreement ("*MOA*"), establishing a mechanism for certain payments to *Actis.* As a result of these equity transactions, a ₱8.4 billion contingent liability was recognized, while the excess of ₱4.1 billion over *Actis* share in the net assets of *MTerra Solar* was recorded as an equity reserve.

Solar Philippines Tarlac

In June 2025, *Solar Philippines Tarlac* redeemed the preferred shares held by Prime Metro Power Holdings amounting to ₱1,500.0 million and settled dividends amounting to ₱300.0 million. As a result, the difference between the redemption of shares and settlement of dividends and the ₱2,348.0 million balance of the non-controlling interest amounting to ₱547.6 million was recognized as an equity reserve.

SPNEC

On October 12, 2023, a Put Option Agreement was executed by and among *MGreen,* Solar Philippines Power Project Holdings, Inc. ("*SPPPHI*") and *SPNEC*, covering *MGreen*'s grant to *SPPPHI* of an option to require *MGreen* to purchase 8.0 million common shares at the price of ₱1.15 per share (the "Put Option Price"), for a total price of up to ₱9.2 billion. The Put Option Agreement also includes additional put option price equivalent to ₱0.10 per share or ₱800.0 million, subject to

certain conditions. In January 2024, *MGreen* acquired 2.2 billion shares of *SPNEC*, attaining a 53.7% equity interest. The following month, *MGreen* extended a ₱6,700.0 million exchangeable loan to *SPPPHI*, which was settled in October 2025 by exchanging it for the remaining 5.8 billion common shares of *SPNEC*, resulting in derecognition of the liability related to the Put Option.

The purchase consideration in the Put Option Agreement included the value of certain entities which may be transferred back to *SPPPHI* at the option of *SPNEC*. On September 3, 2024, *SPNEC* exercised its put option and executed a Deed of Absolute Sale of Shares with *SPPPHI* to sell its shares in certain entities for ₱80.0 million. Consequently, *SPNEC* derecognized in its financial statements the related assets, liabilities, non-controlling interests and equity reserve of these entities with net amount of ₱176.0 million and recognized a loss of ₱96.0 million.

In March 2025, *MGreen* extended an additional loan to *SPPPHI* amounting to ₱6,259.1 million which was settled in exchange for 5.0 billion common shares of *SPNEC* in October 2025. As result, *MGreen*'s voting interest in *SPNEC* increased to 69.25% and a reduction in non-controlling interest amounting to ₱6,293.2 million was recognized.

Furthermore, *MGreen* derecognized the liability related to the initial investment in *SPNEC* amounting to ₱2,200.0 million following change in management decision to proceed with the planned acquisition of 1.6 billion common shares of *SPNEC* in 2025. Consequently, a corresponding increase in non-controlling interest and equity reserve amounting to ₱2,010.9 million and ₱189.1 million, respectively, was recognized.

MIDC

On March 1, 2024, *MIESCOR* entered into a Multi-Party Share Swap Agreement with Connect Infrastructure (Philippines) Pte. Limited ("*Connect*"), PTCI Holdings Pte. Ltd. ("*PHPL*"), and Pylon Holdings Corp. ("*Pylon*"). Under the agreement, the shareholders of *MIDC* and PhilTower Consortium, Inc. ("*PhilTower*") (collectively referred to as the "*TowerCos*") shall transfer their respective ownerships in the *TowerCos* to Pylon. After the swap, *MIESCOR* owns 25.56% of *Pylon* with *Pylon* owning 100% each of *MIDC* and *PhilTower*. As a result, *MIESCOR* lost its power to govern the financial and operating policies of *MIDC* with the reduction in the voting rights at meetings of the Board of Directors.

Accordingly, upon approval by the Philippine Competition Commission (*"PCC")* and the Securities and Exchange Commission (*"SEC")*, and completion of other conditions of the transaction on September 13, 2024, *MIESCOR* derecognized in its financial statements the related assets, liabilities and non-controlling interests of *MIDC*, and recognized an investment in *Pylon* equivalent to the carrying amount of its investment in *MIDC*. No gain or loss was recognized as a result of the transaction.

Derecognized assets, liabilities and non-controlling interests of *MIDC* are as follows:

	Amounts in millions
Property and equipment	₱8,088
Intangible assets	15,092
Other noncurrent assets	53
Cash and cash equivalents	465
Trade and other receivables	912
Inventories	974
Other current assets	3,285
Interest-bearing long-term financial liabilities	(9,749)
Trade and other payables	(5,710)
Net identifiable assets	13,410
Less: Non-controlling interests	6,571
Net assets	₱6,839

Radius

On April 30, 2024, *PLDT* subscribed to 2,491,516 common shares of *Radius*, representing 34.9% equity interest for ₱2.1 billion. As a result, *MERALCO* recognized a non-controlling interest and equity reserve of ₱1.0 billion and ₱1.1 billion, respectively, as it retained majority of voting rights in *Radius.*

Bayad

On July 31, 2024, *CIS* sold its 10% equity interest in *Bayad* to *Kayana* for ₱320.0 million. *MERALCO* recognized a non-controlling interest and equity reserve of ₱35.8 million and ₱237.6 million, respectively, as it retained majority of voting rights in *Bayad.*

On December 9, 2024, *Densan* sold its 5% equity interest in *Bayad* and *CFSI* for ₱241.5 million to *MERALCO*. Consequently, *MERALCO* recognized a reduction in non-controlling interest and equity reserve of ₱19.9 million and ₱221.6 million, respectively.

4. Material Accounting Policies, Changes and Improvements

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2025. The *MERALCO Group* has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the *MERALCO Group*.

- Amendments to *PAS 21, Lack of exchangeability*

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted, and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments have no material impact on the consolidated financial statements of the *MERALCO Group*.

Pronouncements issued but not yet effective are listed below. The *MERALCO Group* intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the *MERALCO Group*'s consolidated financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2026

- Amendments to Illustrative Examples on *PFRS 7, PFRS 18, PAS 1, PAS 8, PAS 26* and *PAS 37, Disclosures about Uncertainties in the Financial Statements*
- Amendments to *PFRS 9* and *PFRS 7, Classification and Measurement of Financial Instruments*
- Amendments to PFRS 9 and PFRS 7, *Contracts Referencing Nature-dependent Electricity*
- Annual Improvements to *PFRS* Accounting Standards - Volume 11
  - Amendments to *PFRS 1, Hedge Accounting by a First-time Adopter*
  - Amendments to *PFRS 7, Gain or Loss on Derecognition*
  - Amendments to *PFRS 9, Lessee Derecognition of Lease Liabilities* and *Transaction Price*
  - Amendments to *PFRS 10, Determination of a 'De Facto Agent'*
  - Amendments to *PAS 7, Cost Method*

Effective beginning on or after January 1, 2027

- *PFRS 17, Insurance Contracts*
- *PFRS 18, Presentation and Disclosure in Financial Statements*
- *PFRS 19, Subsidiaries without Public Accountability*

Deferred effectivity

Amendments to *PFRS 10, Consolidated Financial Statements,* and *PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Material Accounting Policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are as follows:

Utility Plant, Generation Plant and Others

Utility plant, generation plant and others, except land, are stated at cost, net of accumulated depreciation, amortization and impairment losses, if any. Cost includes the cost of replacing part of such utility plant, generation plant and other properties when such cost is incurred, if the recognition criteria are met. All other repair and maintenance costs are charged to operating expenses as incurred in the consolidated statement of income. The present value of the expected cost for the decommissioning of the asset after use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land is stated at cost less any impairment in value.

The *MERALCO Group*'s utility plant, generation plant and others acquired before January 1, 2004 are stated at deemed cost. The revalued amount recorded as at January 1, 2004 was adopted as deemed cost as allowed by the transition provisions of *PFRS 1*. The balance of revaluation increment was closed to the retained earnings account.

See *Note 16 – Equity* for the related discussion.

Depreciation and amortization of utility plant, generation plant and others are computed using the straight-line method over the following estimated useful lives:

Asset Type	Estimated Useful Lives
Subtransmission and distribution	10-40 years, depending on the life of the significant parts
Power plant machinery and equipment	3-25 years
Buildings and improvements	15-40 years
Data transmission cables and communication equipment	5-15 years
Office furniture, fixtures and other equipment	5-20 years
Transportation equipment	5-10 years
Others [(include right-of-use ("*ROU*") assets]	2-45 years

An item of utility plant, generation plant and others is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising as a result of the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the period the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation and amortization are reviewed, and adjusted prospectively, if appropriate, at each reporting period to ensure that the residual values, periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from items of utility plant, generation plant and others.

Construction in Progress

Construction in progress is stated at cost, which includes cost of construction, plant and equipment, capitalized borrowing costs and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are substantially completed and available for their intended use.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities necessary to prepare the qualifying asset for its intended use or sale have been undertaken and expenditures and borrowing costs have been incurred. Borrowing costs are capitalized until the asset is substantially completed and available for its intended use.

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as any exchange differences arising from any foreign currency denominated borrowings used to finance the projects, to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are expensed as incurred.

Investments in Associates and Interests in Joint Ventures

An associate is an entity where *MERALCO Group* has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but has no control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investments in associates and interests in joint ventures are accounted for using the equity method and are initially recognized at cost.

Under the equity method, the investment in an associate or interest in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

If its share in losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the *MERALCO Group* discontinues recognizing its share of further losses. The interest in an associate or joint venture is the carrying amount of the investment or joint venture determined using the equity method together with any long-term interest that in substance forms part of the *MERALCO Group*'s net investment in associate or joint venture.

After the *MERALCO Group*'s interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the *MERALCO Group* has incurred legal or constructive obligation or made payments in behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, it resumes recognizing its share of their profits only after its share of the profit equals the share of loss not recognized.

The consolidated statement of income reflects the *MERALCO Group*'s share in the results of operations of the associate or joint venture. Any change in the other comprehensive income ("*OCI*") of those investees is presented as part of the *MERALCO Group*'s *OCI*. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the *MERALCO Group* recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the *MERALCO Group* and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the *MERALCO Group*'s share in the profit or loss of its associates and joint ventures is shown on the face of the consolidated statement of income and represents profit or loss after tax.

The financial statements of the associate or joint venture are prepared for the same reporting period as the *MERALCO Group*. When necessary, adjustments are made to bring the accounting policies in line with those of the *MERALCO Group*.

After application of the equity method, the *MERALCO Group* determines whether it is necessary to recognize an impairment loss on its investment in associate or interest in joint venture. At each reporting date, the *MERALCO Group* determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the *MERALCO Group* calculates the amount of impairment as the difference between the recoverable amount of the investment in associate or interest in joint venture and its carrying value, then recognizes the loss as part of equity in net earnings of an associate or a joint venture in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the *MERALCO Group* measures and recognizes any remaining investment at its fair value. Any difference between the carrying amount of the investment in associate or interest in joint venture upon loss of significant influence or joint control and the fair value of the remaining investment and proceeds from disposal is recognized in the consolidated statement of income.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition-date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the *MERALCO Group* elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs in a business combination are recognized as expense.

When a business is acquired, an assessment is made of the identifiable assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at acquisition date and any resulting gain or loss is recognized in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability will be recognized in accordance with *PFRS 9* in the consolidated statement of income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, any non-controlling interest in the acquiree and, in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree, over the fair value of net identifiable assets acquired. If the difference is negative, such difference is recognized as gain in the consolidated statement of income.

If the initial accounting for a business combination is incomplete by the end of the reporting date in which the business combination occurs, the provisional amounts of the items for which the accounting is incomplete are reported in the consolidated financial statements. During the measurement period, which shall be no longer than one (1) year from the acquisition date, the provisional amounts recognized at acquisition date are retrospectively adjusted to reflect new facts and circumstances obtained that existed as at the acquisition date and, if known, would have affected the measurement of the amounts recognized as at that date. During the measurement period, additional assets or liabilities are also recognized if new information is obtained about facts and circumstances that existed as at the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as at that date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from acquisition date, allocated to each of the cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units, beginning on the acquisition date.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of, is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in such circumstance is measured based on relative values of the operation disposed and the portion of the cash-generating unit retained.

Business combinations involving entities under common control are accounted for similar to the pooling-of-interests method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as additional paid-in capital. The consolidated statement of income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities were under common control.

Investment Properties

Investment properties, except land, are stated at cost, net of accumulated depreciation and accumulated impairment loss, if any. The carrying amount includes transaction costs and costs of replacing part of an existing investment property at the time such costs are incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties include properties that are being constructed or developed for future use.

Land classified as investment property is carried at cost less any impairment in value.

The *MERALCO Group*'s investment properties acquired before January 1, 2004 are stated at deemed cost.

See *Note 16 – Equity* for the related discussions.

Investment properties, except land, are being depreciated on a straight-line basis over the useful life of 40 years.

Investment properties are derecognized either when they have been disposed of or when these are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss from the derecognition of the investment properties is recognized in the consolidated statement of income in the period these are disposed or retired.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation or the commencement of an operating lease to another party. If owner-occupied property becomes an investment property, this is accounted in accordance with the policy stated under utility plant, generation plant and others up to the date of the change in use. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner-occupation or the commencement of development with a view to sale. Transfers from investment property are recorded using the carrying amount of the investment property as at the date of change in use.

Intangible Assets

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment loss. The useful lives of intangible assets are assessed at the individual asset level as having either finite or indefinite useful lives.

Intangible assets with finite lives are amortized over the useful economic lives of five (5) to 30 years using the straight-line method and assessed for impairment whenever there is an indication that the intangible assets may be impaired. At a minimum, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected useful life or the expected consumption pattern of future economic benefit embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as change in accounting estimates. The amortization expense of intangible assets with finite lives is recognized in the consolidated statement of income.

Intangible assets with indefinite useful lives are not amortized, but are assessed for impairment annually either individually or at the cash-generating unit level. The assessment of intangible assets with indefinite useful life is done annually at every reporting date to determine whether such indefinite useful life continues to exist. Otherwise, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statement of income.

Intangible assets generated within the business are not capitalized and expenditures are charged to profit or loss in the period these are incurred.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either (a) in the principal market for the asset or liability, or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the *MERALCO Group*.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The valuation techniques used are those that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

i. Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
ii. Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
iii. Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the *MERALCO Group* determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

For the purpose of fair value disclosures, the classes of assets and liabilities are identified on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Impairment of Nonfinancial Assets

At each reporting date, an assessment is done to determine whether there is an indication that a nonfinancial asset [utility plant, generation plant and others, intangible assets, investment properties, investments in associates and interests in joint ventures and receivable from the Bureau of Internal Revenue ("*BIR*")], may be impaired. If any such indication exists, an estimate of the asset's recoverable amount is made. An asset's recoverable amount is the higher of an individual asset's or a cash-generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The fair value is the amount obtainable from the sale of the asset in an arm's-length transaction. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation factors/parameters, quoted share prices for publicly traded securities or other available fair value indicators. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of income.

An assessment is also made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the individual asset's or cash-generating unit's recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If a reversal of impairment loss is to be recognized, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss has been recognized for the asset in prior period. Such reversal is recognized in the consolidated statement of income. After such reversal, the depreciation and amortization expense are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Intangible assets with indefinite useful lives are tested for impairment annually at every reporting date or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired, either individually or at the cash-generating unit level, as appropriate. The amount of impairment is calculated as the difference between the recoverable amount of the intangible asset and its carrying amount. The impairment loss is recognized in the consolidated statement of income. Impairment losses relating to intangible assets may be reversed in future periods.

Goodwill is reviewed for impairment annually at every reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount of the cash-generating unit or group of cash-generating units to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill shall not be reversed in future periods.

If the allocation of goodwill acquired in a business combination to cash-generating units or group of cash-generating units is incomplete, an impairment testing of goodwill is only carried out when impairment indicators exist. Where impairment indicators exist, impairment testing of goodwill is performed at a level at which the acquirer can reliably test for impairment.

Financial Instruments - Initial Recognition and Subsequent Measurement

Financial Assets

Initial Recognition and Measurement

At initial recognition, financial assets are classified and measured at amortized cost, *FVOCI*, and fair value through profit or loss ("*FVPL*").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the *MERALCO Group* initially measures a financial asset at its fair value, and in the case of a financial asset not at *FVPL*, plus transaction costs.

In order for a financial asset to be classified and measured at amortized cost or *FVOCI*, it needs to give rise to cash flows that are solely payments of principal and interest ("*SPPI*") on the principal amount outstanding. This assessment is referred to as the *SPPI* test and is performed at an instrument level.

The business model for managing financial assets refers to how financial assets are managed in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized at the trade date, i.e., the date that a commitment to purchase or sell the asset is made.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four (4) categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at *FVOCI* with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at *FVOCI* with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at *FVPL*

Financial Assets at Amortized Cost (Debt Instruments)

This category is the most relevant to the *MERALCO Group*. Financial assets are measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are *SPPI* on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate ("*EIR*") method and are subject to impairment. Gains and losses are recognized in the consolidated statement of income when the asset is derecognized, modified or impaired. The *MERALCO Group*'s financial assets at amortized cost include cash and cash equivalents, trade and other receivables, short-term investments, debt securities at amortized cost and advance payments to a supplier.

Financial Assets at FVOCI (Debt Instruments)

Debt instruments are measured at *FVOCI* if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are *SPPI* on the principal amount outstanding.

For debt instruments at *FVOCI*, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in *OCI*. Upon derecognition, the cumulative fair value change recognized in *OCI* is recycled to profit or loss. The *MERALCO Group*'s debt instruments at *FVOCI* include investments in corporate and government bonds.

Financial Assets Designated at FVOCI (Equity Instruments)

Upon initial recognition, equity investments may be classified irrevocably as equity instruments designated at *FVOCI* when they meet the definition of equity under *PAS 32*, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument by instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right to receive payment has been established, except when such proceeds are partial recovery of the cost of the financial asset, in which case, such gains are recorded in *OCI*. Equity instruments designated at *FVOCI* are not subject to impairment assessment.

The *MERALCO Group* elected to classify irrevocably its non-listed equity investments and investments in club shares under this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized (i.e., removed from the consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired;
- The rights to receive cash flows from the asset have been transferred or when an obligation to pay the received cash flows is assumed in full without material delay to a third party under a 'pass-through' arrangement; and either (a) substantially all the risks and rewards of the asset have been transferred, or (b) when all the risks and rewards of the asset are neither transferred nor retained substantially but control of the asset has been transferred.

When the rights to receive cash flows from an asset have been transferred or a pass-through arrangement has been entered, an evaluation of the extent that such risks and rewards of ownership is retained shall be made.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the transferred asset to the extent of *MERALCO Group's* continuing involvement and an associated liability are recognized. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that could be required to repay.

Modification of Financial Assets

A financial asset is derecognized when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in the consolidated statement of income, to the extent that an impairment loss has not already been recorded.

Both qualitative and quantitative factors are considered in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the following factors, among others, are used:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered *SPPI*

A quantitative assessment similar to that being performed for modification of financial liabilities is also done. In performing the quantitative assessment, the new terms of a financial asset are considered to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original *EIR* is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the gross carrying amount of the financial asset is calculated as the present value of the renegotiated or modified contractual cash flows discounted at the original *EIR* (or credit-adjusted *EIR* for purchased or originated credit-impaired financial assets) and a modification gain or loss is recognized in the statement of comprehensive income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a new financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for *ECL* measurement purposes, unless the new financial asset is deemed to be purchased or originated credit-impaired financial assets ("*POCI*").

Impairment of Financial Assets

An allowance for *ECL* is assessed for all debt instruments not held at *FVPL*. *ECL*s are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that are expected to be received, discounted at an approximation of the original *EIR*. The expected cash flows shall include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

*ECL*s are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

*ECL*s are recognized in two (2) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, *ECL*s are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month *ECL*). For those credit exposures for which there has been a significant increase in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime *ECL*).

Financial assets are credit-impaired when one (1) or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime *ECL*s are recognized and interest revenue is calculated by applying the credit-adjusted *EIR* to the amortized cost of the financial assets.

For trade receivables and contract assets, a simplified approach is applied in calculating *ECL*s. Changes in credit risk are not tracked, instead a loss allowance based on lifetime *ECL*s of each customer segment (e.g., residential, commercial, industrial, etc.) is recognized at each reporting date. A provision matrix that is based on its current credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment has been established and used. In determining the *ECL*s of trade receivables, the credit loss experience for each contract status of customers for the current period, adjusted for forward-looking factors as well as the economic environment, was considered.

For debt instruments, the low credit risk simplification is applied. At every reporting date, an assessment is made on whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the internal credit rating of the debt instrument is reassessed. There is significant increase in credit risk when contractual payments are more than 30 days past due.

The *MERALCO Group*'s debt instruments at *FVOCI* comprise solely of quoted bonds that are graded in the top investment category and, therefore, are considered to be low credit risk investments. As a policy, *ECL*s are measured on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the expected lifetime credit losses.

Credit losses are recognized based on a 12-month *ECL* for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term, may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

At each reporting date, an assessment is made for any significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition, using reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the investment grade criteria, are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month *ECL*. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria from the time of origination.

An exposure will migrate through the *ECL* stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime *ECL* to 12-month *ECL*.

A financial asset is considered in default when contractual payments are 300 days past due (average days to terminate customer contract). In certain cases, a financial asset is also considered to be in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at *FVPL*, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The *MERALCO Group*'s financial liabilities include interest-bearing long-term financial liabilities, customers' deposits and refunds, refundable service extension costs, notes payable, and trade payables and other current liabilities.

Subsequent Measurement

Financial liabilities at FVPL

Financial liabilities at *FVPL* include financial liabilities held for trading and financial liabilities designated upon initial recognition as at *FVPL*.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into that are not designated as hedging instruments in hedge relationships as defined by *PFRS 9*. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income. Financial liabilities designated upon initial recognition at *FVPL* are designated at the initial date of recognition, and only if the criteria in *PFRS 9* are satisfied. The *MERALCO Group* has not designated any financial liability as at *FVPL*.

Loans and borrowings

This is the category most relevant to the *MERALCO Group*. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the *EIR* method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the *EIR* amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the *EIR*. The *EIR* amortization is included as finance costs in the consolidated statement of income. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Exchange or Modification of Financial Liabilities

Both qualitative and quantitative factors are used in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original *EIR*, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in the consolidated statement of income.

When the exchange or modification of the existing financial liability is not considered as substantial, the gross carrying amount of the financial liability is recalculated based on the present value of the renegotiated or modified contractual cash flows discounted at the original *EIR* and a modification gain or loss is recognized in the consolidated statement of income.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

The *MERALCO Group* has not availed of any reliefs and has not renegotiated the terms of its existing loan agreements with its lenders.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Derivatives and Hedging Activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The *MERALCO Group* designates certain derivatives as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

The *MERALCO Group* documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The *MERALCO Group* also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in *Note 22 - Trade Payables and Other Current Liabilities* and *Note 27 - Financial Assets and Financial Liabilities*. Movements in the hedging reserve are shown in other comprehensive income that will not be reclassified to profit and loss in the subsequent period.

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

Inventories

Inventories are stated at the lower of cost or net realizable value. Costs of acquiring materials and supplies including costs incurred in bringing each item to their present location and condition are accounted using the moving average and weighted average cost method, as applicable. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost to sell or the current replacement cost of the asset.

Value-Added Tax ("VAT")

Input *VAT* pertains to the 12% indirect tax paid in the course of trade or business on purchases of goods or services.

Output *VAT* pertains to the 12% tax due on the local sale of goods or services.

If at the end of any taxable month, the output *VAT* exceeds the input *VAT*, the outstanding balance is included under "Trade payables and other current liabilities" account. If the input *VAT* exceeds the output *VAT*, the excess shall be carried over to the succeeding months and included under "Other current assets" account.

Provisions

Provisions are recognized when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When a provision, or a portion of such provision is expected to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liabilities.

Retirement Benefits

MERALCO and certain subsidiaries have distinct, funded, noncontributory defined benefit retirement plans covering all permanent employees. *MERALCO*'s retirement plan provides for post-retirement benefits for employees hired as at December 31, 2003. Retirement benefits for employees of *MERALCO* hired beginning January 1, 2004 are for defined payment upon retirement of qualified employees. *MERALCO* also has a contributory provident plan introduced in January 2009 whereby employees hired beginning January 1, 2004 may elect to participate.

The net defined benefit liability or asset of the retirement plan is the aggregate of the present value of the defined benefit obligation at the end of the reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise of (i) service costs; (ii) net interest on the net defined benefit liability or asset; and (iii) remeasurements of the net defined benefit liability or asset.

Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time, which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in *OCI* in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent period.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the *MERALCO Group*, nor can they be paid directly to *MERALCO* or any of its subsidiaries or affiliates. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The *MERALCO Group*'s right to be reimbursed for some or all of the expenditures required to settle a defined benefit obligation is recognized as a separate asset at fair value when, and only when, reimbursement is virtually certain.

The retirement costs under the defined contribution plan are recorded based on contributions to the defined contribution plan as services are rendered by the employee.

Termination Benefits

Termination benefits are provided in exchange for employee's severance as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee Leave Entitlements

Employee entitlements to annual leave are recognized as a liability when such accrues to the employees. The undiscounted liability for leave expected to be settled wholly before 12 months after the end of the reporting period is recognized for services rendered by employees up to the end of the reporting period.

Unused sick leaves are accumulated, up to a certain limit, and commuted to cash upon separation or retirement. An actuarial valuation of the obligations on the accumulated unused sick leaves is conducted periodically in accordance with the relevant accounting standards.

Long-term Incentive Plan

The liability relating to the *BOD*-approved long-term incentive plan comprises the present value of the obligation at the end of the reporting date.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration in exchange for those goods or services. The revenue arrangements are assessed against specific criteria to determine if the seller is acting as a principal or as an agent. The *MERALCO Group* has concluded that it is acting as a principal in majority of its revenue arrangements.

The following specific recognition criteria must also be met before revenue from contracts with customers is recognized:

Sale of Electricity

As *DU*, revenues are recognized upon supply of power to the customers and are stated at amounts invoiced to customers, inclusive of pass-through components, and net of any discounts and/or rebates. The Uniform Filing Requirements ("*UFR*") on the rate unbundling released by the *ERC* on October 30, 2001 specified the following bill components: (a) generation charge, (b) transmission charge, (c) *SL* charge, (d) distribution charge, (e) supply charge, (f) metering charge, (g) Currency Exchange Rate Adjustment ("*CERA*") I and II, where applicable and (h) inter-class rate and lifeline subsidies. *VAT*, business taxes such as *LFT*, *RPT* (beginning March 2021), the Power Act Reduction (for residential customers) adjustment, universal charges, and Feed-in-Tariff - Allowance ("*FiT-All*") are also separately presented in the customer's billing statement.

Taxes billed and collected on behalf of the national government and local government units, universal charges and *FiT-All* [billed and collected on behalf of Power Sector Assets and Liabilities Management Corporation ("*PSALM*") and National Transmission Corporation ("*TransCo*"), respectively] do not form part of the revenues of the distribution utilities. Revenues are adjusted for the over and/or under-recoveries of pass-through charges.

As *RES*, revenues are recognized upon supply of power to the customers, based on the actual energy delivered.

Revenue from Contracts with Customers - Recognized at Point in Time

Revenues from the following are recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods:

Coal Sales

Coal sales are recognized when the coal is delivered and the legal title is passed to the customer. Coal sales are included in sale of electricity in the consolidated statement of income.

Interest Income

Interest income is recognized as interest accrues, using the *EIR* method. The *EIR* is the rate that discounts estimated future cash receipts through the expected life of the financial instrument.

Lease Income

Income arising from lease of investment properties and pole positions is accounted for on a straight-line basis over the lease term.

Lease income is presented as part of sale of other services in the consolidated statement of income.

Revenue from Contracts with Customers - Recognized Over Time

MGen and its subsidiaries ("*MGen Group*") has Electric Power Purchase Agreement ("*EPPA*") with customers, Ancillary Services Procurement Agreement ("*ASPA*") with National Grid Corporation of the Philippines ("*NGCP*"), and electricity trading transactions in *WESM*.

Revenue is recognized when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. At contract inception, it is determined whether control of a promised good or service shall be transferred over time. If the *MGen Group* does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods and services.

Revenue from contracts with customers is consummated whenever the electricity generated is transmitted through the transmission line designated by the buyer, for a consideration.

Revenue from sale of electricity is recognized monthly based on the actual energy delivered and made available to customers or minimum energy off take or contracted capacity, adjusted by actual days of downtime, whichever is higher.

Revenue from sale of electricity through ancillary services to *NGCP* is recognized monthly based on the capacity scheduled and/or dispatched and provided.

Energy fees derived from trading operations are recognized based on actual delivery of such electricity supplied and made available to customers multiplied by the applicable tariff rate as agreed with its customers.

Sale of Services

Revenue from construction contracts of *MIESCOR* and its subsidiaries ("*MIESCOR Group*") and *MServ* is recognized over time on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract (output method). Progress is measured based on the monthly project accomplishment which integrates the performance to date of the construction activities.

Construction contracts are generally accounted for as a single performance obligation and are not segmented among types of services. For engineering and construction contracts, these two (2) are combined into one performance obligation since these are not distinct within the context of the contract. The combined performance obligation qualifies as a good or service (or a bundle of goods or services) that is distinct.

Contract Assets

A contract asset is the right to consideration in exchange for goods and services transferred to the customer. If goods or services are transferred to a customer before the customer settles its obligation, a contract asset is recognized for the earned consideration that is conditional.

The *MERALCO Group*'s contract assets include unbilled receivables and under-recoveries of pass-through charges.

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which a consideration (or an amount of consideration) is due from the customer. If a customer pays the consideration before the good or services are transferred to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the performance under the contract is satisfied.

The *MERALCO Group*'s contract liabilities include assets funded by customers and over-recoveries of pass-through charges.

Assets Funded by Customers

In accordance with the Distribution Services and Open Access Rule ("*DSOAR*"), the costs of non-standard connection facilities to connect the customers to a distribution utility's distribution network and to provide the customers with ongoing access to the supply of electricity are funded by the customers. The distribution utility assesses whether the constructed or acquired non-standard connection facilities meet the definition of an asset in accordance with *PAS 16*. If the definition of an asset is met, such asset is recognized at its acquisition or construction cost with an equivalent credit to the liability account. Such liability to the customers is included under "Other noncurrent liabilities" account in the consolidated statement of financial position, and is recognized as income over the

average duration of relationship with the customer. Assets funded by customers do not form part of the distribution utility's regulatory asset base until amounts are refunded to the customers.

Net Over-recoveries of Pass-through Charges

Transmission over-recoveries which resulted from the difference in the power suppliers' billings and recovery of such pass-through costs from consumers are included in "Other noncurrent liabilities" account in the consolidated statement of financial position.

Cost and Expense Recognition

Expenses are decreases in economic benefits during the financial reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. These are recognized when incurred. Contract costs relating to satisfied performance obligations are recognized as these are incurred. Contract costs principally include all direct materials, labor costs and indirect costs related to contract performance. Project mobilization costs and incremental costs of obtaining a contract with a customer are recognized as an asset if it is expected that such costs will be recovered and the contract term is for more than one (1) year. The project mobilization costs and costs of obtaining a contract are amortized over the expected construction period following the pattern of revenue recognition. Costs incurred prior to obtaining a contract with a customer are not capitalized but are expensed as incurred. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenues. The amount of such loss is determined irrespective of whether or not work has commenced on the contract, based on the stage of completion of the contract activity, or the amount of profits expected to arise on other contracts which are not treated as a single construction contract.

Total contract costs incurred and estimated earnings recognized in excess of total billings are recognized as an asset.

Short-term Leases and Leases of Low-value Assets

Short-term lease recognition exemption is applied to short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Leases

At contract inception, an assessment is made whether such contract contains a lease. A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange of a consideration.

Company as Lessee

At commencement date of the lease, a *ROU* asset and a corresponding lease liability are recognized on the statement of financial position, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the lease payments are booked as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liability is measured at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease (if readily available) or the *MERALCO Group*'s incremental borrowing rate. Incremental borrowing rate is the rate of interest that would have to be paid to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the *ROU* asset in a similar economic environment.

Lease payments included in the measurement of the lease liability consist of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, lease liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in the fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the *ROU* asset, or profit and loss if the *ROU* asset is already reduced to zero.

ROU asset is measured at cost, which consist of the initial measurement of the lease liability, any initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

ROU assets are depreciated on a straight-line basis using the expected useful life or lease term, whichever is shorter. *ROU* assets are also assessed for impairment when such indicators exist.

Company as Lessor

Leases where the risks and benefits of ownership of the asset are not substantially transferred are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

Foreign Currency-Denominated Transactions and Translations

The Philippine peso is primarily the functional and presentation currency of all entities in the *MERALCO Group* except for *LOIL* and *MPG Asia*. It is the currency of the primary economic environment. This is also the currency that mainly influences the revenue from and cost of rendering services. Each entity in the *MERALCO Group* determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of *LOIL* and *MPG Asia* is the United States ("*U.S.*") dollar.

Transactions in foreign currencies are initially recorded in the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated using functional currency closing rate of exchange prevailing at the reporting date. All differences are recognized in the consolidated statement of income except for foreign exchange differences that relate to capitalizable borrowing costs on qualifying assets. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate as at the date of the initial transactions.

As at the reporting date, the monetary assets and liabilities of subsidiaries, *LOIL* and *MPG Asia* whose functional currency is other than Philippine peso, are translated into Philippine peso at the rate of exchange prevailing at the end of the reporting date, and income and expenses are translated monthly using the weighted average exchange rate for the month. The exchange differences arising on translation are recognized as a separate component of *OCI* as cumulative translation adjustments. On the disposal or derecognition of a subsidiary, the amount of cumulative translation adjustments recognized in *OCI* is recognized in the consolidated statement of income.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted as at the reporting date.

Deferred Income Tax

Deferred income tax is provided on all temporary differences at the reporting date between the income tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent these have become probable that future taxable profit will allow the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply when the assets are realized or the liabilities are settled, based on tax rates and tax laws that are enacted or substantively enacted as at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax items are recognized in correlation to the underlying transactions either in profit or loss or directly in equity.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized unless the realization of the assets is virtually certain. These are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Post reporting date events that provide additional information as at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post reporting date events that are non-adjusting events are disclosed in the notes to consolidated financial statements, when material.

5. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the *MERALCO Group*'s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent assets and liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of the assets or liabilities affected in future periods.

Judgments

In the process of applying the accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Uncertain Tax Position

The *MERALCO Group* assesses whether it has any uncertain tax position in accordance with *IFRIC 23*. Significant judgement is applied in identifying uncertainties over the income tax treatments. Based on review and assessment of the income tax computations and filings, in consultation with external tax expert, it is determined that it is not probable that its uncertain tax treatments will be accepted by the taxation authorities. Any effect of each uncertain tax treatment is quantified using the most likely amount which the *MERALCO Group* expects to better predict the resolution of the uncertainty.

Arrangement that Contains a Lease

As assessed, the *PPA*s and *PSA*s do not qualify as leases and are accounted for as ordinary service contracts, since the distribution utilities do not have the right to direct the use, operate and were not involved in the design of the identified assets.

Principal versus Agent

Revenue recognition requires certain judgments on its arrangements with power generation companies such as *PPA*s and *PSA*s to be made. The *MERALCO Group* has concluded that it is acting as a principal in substantially all of its revenue arrangements.

Revenue from sale of electricity requires *MERALCO, Clark Electric* and *Shin Clark Power* to bill customers based on various billing cycle cut-off dates, while recording of related purchased power cost is based on calendar month as provided in the terms of the *PPA*s and *PSA*s. The difference between the amounts initially billed to customers and the settlement of the actual billings with power generation companies is adjusted to revenue at month end.

Revenues from electricity service re-connection and other non-standard connection services arise from a single performance obligation which is satisfied over the period when the services are expected to be provided.

Entity in which the MERALCO Group Holds more than the Majority of the Voting Rights Accounted for as a Joint Venture

MERALCO, through *MGen*, has a 51% interest in San Buenaventura Philippines Ltd. Co. ("*SBPL*") and 60% interest in Chromite Gas Holdings, Inc. ("*Chromite Holdings").* While *MERALCO* has majority of the voting rights in *SBPL* and *Chromite Holdings,* it does not have sole control of the entities. *MERALCO*'s investments in *SBPL* and *Chromite Holdings* are accounted for as a joint venture since key operating and financial decisions of these entities require the unanimous vote and consent of the parties sharing control.

Entity in which the MERALCO Group Holds more than the Majority of the Voting Rights Accounted for as an Associate

MERALCO, through *MGen*, has a total of 58% direct and indirect interest in *PacificLight Power*. *MERALCO's* investment in *PacificLight Power* is accounted for as an associates since its relevant and significant activities and policies require the majority votes of the *BOD* and *MGen* does not hold the majority of the *BOD.*

Entity in which the MERALCO Group Holds 50% *of the Voting Rights Accounted for as an Associate*

MERALCO, through *MGen*, has 50%-less-one-share stake in Alsons Thermal Energy Corporation ("*ATEC*"). *MERALCO*'s investment in *ATEC* is accounted for as an associate since *MERALCO* has no presumptive control over *ATEC* as it does not represent the majority of the total voting interest, and none of the qualitative factors denoting control exists based on *PFRS 10*.

Entity in which the MERALCO Group Holds less than 20% of the Voting Rights Accounted for as an Associate

MERALCO, through *Finserve*, has 10% interest in AF Payments, Inc. ("*AF Payments*"). *AF Payments* is considered an associate and, thus, *MERALCO/Finserve*'s interest in *AF Payments* is accounted for using the equity method. *MERALCO/Finserve* is deemed to have significant influence as evidenced by its representation in the *BOD* which guarantees *MERALCO/Finserve*'s participation in the decision making and policy making process of *AF Payments*.

Acquisitions

The *MERALCO Group* evaluates each investment under *PFRS 3* to determine whether to treat an acquisition as an asset acquisition or a business combination. For those transactions treated as asset acquisitions, the purchase price is allocated to the assets acquired, with no recognition of goodwill. For those acquisitions that meet the definition of a business combination, the acquisition method of accounting is applied where assets acquired and liabilities assumed are recorded at fair value at the date of each acquisition, and the results of operations are included from the dates of the respective acquisitions. When determining the fair value of tangible assets acquired, the age, condition and the economic useful life of the asset are taken into consideration to determine the estimated cost to replace the asset. When determining the fair value of intangible assets acquired, the applicable discount rate and the timing and amount of future cash flows, including rate and terms of renewal and attrition are considered.

Revenue from Contracts with Customers

The power generation units applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Identifying Performance Obligations

The *MGen Group* identifies performance obligations and determines which promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and where the promise to transfer such good or service to the customer is separately identifiable from the other promises in the contract.

An assessment of performance obligations of a series of distinct goods and services, is conducted for those which are substantially the same and have the same pattern of transfer if:

a. each distinct good or services in the series are transferred over time; and
b. the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

For revenue contracts under *EPPA*s, *ASPA*, and spot market sales to *WESM*, these are combined and considered as one (1) performance obligation since these are not distinct within the context of *PFRS 15* as the buyer cannot benefit from the contracted capacity without the corresponding energy and the buyer cannot obtain energy without contracting a capacity.

Determining Method to Estimate Variable Consideration and Assessing the Constraint

Variable considerations are estimated and included but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Both the likelihood and magnitude of the revenue reversal are considered in evaluating the extent of variable consideration or constraint.

Factors such as the following are considered:
a. high susceptibility to factors outside the Group's influence;
b. timing of the resolution of the uncertainty; and
c. having a large number and broad range of possible outcomes.

Some contracts with customers provide for volume and prompt payment discounts that give rise to variable consideration. In estimating the variable consideration, either the expected value method or the most likely amount method is used depending on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while the most likely amount is used when the outcome is binary.

The *MGen* Group determined that the expected value method is the more appropriate method for estimating the variable consideration given the number of contracts with customers that have similar characteristics and the range of possible outcomes.

Allocation of Variable Consideration

Variable consideration may be attributable to the entire contract or to a specific part of the contract. For revenue contracts under *EPPA*s and *ASPA*, as well as spot market sales to *WESM*, revenue streams which are considered as series of distinct services that are substantially the same and have the same pattern of transfer, the variable amount that is no longer subject to constraint is allocated to the satisfied portion (i.e., month or actual electricity delivery) which forms part of the single performance obligation and the monthly billing.

Revenue Recognition

Revenue is recognized when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. At contract inception, an assessment is conducted to determine whether control of a promised good or service is transferred over time. If a performance obligation is not satisfied over time, then such is considered satisfied at a point in time.

The *MGen* Group concluded that revenue from sale of electricity from contracts with customers are to be recognized over time, since customers simultaneously receive and consume the benefits as the *MGen* Group supplies power.

Contingencies

There are possible claims from or obligation to other parties from past events and whose existence may only be confirmed by the occurrence or non-occurrence of one (1) or more uncertain future events not wholly within its control. Management has determined that the present obligations with respect to contingent liabilities and claims with respect to contingent assets do not meet the recognition criteria, and therefore has not recorded any such amounts.

See *Note 3 - Statement of Compliance and Basis of Consolidation, Note - 22 Trade Payables and Other Current Liabilities and Note 29 - Contingencies and Legal Proceedings*.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty as at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial reporting period are discussed as follows:

Estimating Useful Lives of Utility Plant, Generation Plant and Others, Intangible Assets with Finite Lives, and Investment Properties

The useful lives of utility plant, generation plant and others, intangible assets with finite lives, and investment properties are estimated based on the periods over which such assets are expected to be available for use. The estimate of the useful lives of the utility plant, generation plant and others, intangible assets with finite lives, and investment properties is based on management's collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives are reviewed at least at each financial reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of such assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned in the foregoing. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of utility plant, generation plant and others, intangible assets with finite lives, and investment properties would increase recorded operating expenses and decrease noncurrent assets.

The total depreciation and amortization expense of utility plant, generation plant and others amounted to ₱15,566 million, ₱15,542 million and ₱14,770 million for the years ended December 31, 2025, 2024 and 2023, respectively. Total carrying values of utility plant, generation plant and others, net of accumulated depreciation and amortization, amounted to ₱378,232 million and ₱288,501 million as at December 31, 2025 and 2024, respectively.

Total depreciation of investment properties amounted to ₱4 million for each of the years ended December 31, 2025, 2024 and 2023. Total carrying values of investment properties, net of accumulated depreciation, amounted to ₱1,483 million and ₱1,487 million as at December 31, 2025 and 2024, respectively.

Total amortization of intangible assets with finite lives amounted to ₱1,464 million, ₱1,983 million and ₱1,851 million for the years ended December 31, 2025, 2024 and 2023, respectively. Total carrying values of intangible assets with finite lives, net of accumulated amortization, amounted to ₱40,658 million and ₱41,559 million as at December 31, 2025 and 2024, respectively.

See *Note 7 – Utility Plant, Generation Plant and Others, Note 9 – Investment Properties* and *Note 10 – Intangible Assets*.

Impairment of Nonfinancial Assets

PFRS Accounting Standards require that an impairment review be performed when certain impairment indicators are present. These conditions include obsolescence, physical damage, significant changes in the manner by which an asset is used, worse than expected economic performance, drop in revenues or other external indicators, among others. In the case of goodwill, at a minimum, such asset is subject to an annual impairment test and more frequently whenever there is an indication that such asset may be impaired. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires preparation of an estimate of the expected future cash flows from the cash-generating unit and choosing an appropriate discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amount of utility plant, generation plant and others, intangible assets, investment properties, investments in associates and interests in joint ventures, goodwill and other noncurrent assets, requires (i) the determination of future cash flows expected to be generated from the continued use as well as ultimate disposition of such assets and (ii) making estimates and assumptions that can materially affect the consolidated financial statements. Future events may cause management to conclude that utility plant, generation plant and others, intangible assets, investment properties, investments in associates and interests in joint ventures, goodwill and other noncurrent assets are impaired. Any resulting impairment loss could have material adverse impact on the consolidated financial position and financial performance.

The preparation of estimated future cash flows involves significant estimations and assumptions. While management believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges under *PFRS* Accounting Standards.

The carrying values of nonfinancial assets subject to impairment review are as follows:

Account	**2025**	2024
	(Amounts in millions)	
Utility plant, generation plant and others	**₱378,232**	₱288,501
Investments in associates and interests in joint ventures	**140,440**	47,513
Intangible assets	**40,658**	41,559
Investment properties	**1,483**	1,487

See *Note 7 – Utility Plant, Generation Plant and Others, Note 8 – Investments in Associates and Interests in Joint Ventures, Note 9 – Investment Properties, Note 10 – Intangible Assets and Note 11 – Other Noncurrent Assets.*

Realizability of Deferred Income Tax Assets

The carrying amounts of deferred income tax assets are reviewed at the end of each reporting period and these may be reduced to the extent that such deferred tax assets are no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized.

Assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income for the subsequent reporting period. This forecast is based on past results and future expectations on revenues and expenses as well as future tax planning strategies. Management believes that sufficient taxable profit will be generated to allow all or part of the recorded or recognized deferred tax assets to be utilized. The amounts of the deferred income tax assets considered realizable could be adjusted in the future if estimates of taxable income are revised. As of December 31, 2025 and 2024, the temporary differences without deferred tax amounted to ₱6,769 million and ₱7,280 million, respectively.

See *Note 28 – Income Taxes and Local Franchise Taxes*.

Provision for ECL of Receivables and Contract Assets

The *MERALCO Group* applies the *PFRS 9* simplified approach to measure *ECL* which uses a lifetime expected loss allowance for all trade and other receivables and contract assets.

ECL is provided for certain identified trade receivables which have been the subject of disputes from customers. In determining the *ECL*s of trade receivables, the credit loss experience for each contract status of customers for the current period, adjusted for forwarding looking factors, and taking into account the economic environment is considered. The contract assets relate to unbilled receivables and have substantially the same risk characteristics as the trade and other receivables. The *MERALCO Group* has concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

Forward-looking information is incorporated in the assessments for any significant increase in credit risk since the initial recognition and measurement of *ECL*. A range of relevant forward-looking macroeconomic assumptions such as inflation rate, gross domestic product and unemployment rate for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of *ECL*s are considered.

*ECL*s for trade and other receivables, net of recoveries, amounted to ₱1,008 million, ₱849 million and ₱998 million for the years ended December 31, 2025, 2024 and 2023, respectively. Trade and other receivables, net of allowance for *ECL*, amounted to ₱76,726 million and ₱64,697 million as at December 31, 2025 and 2024, respectively.

See *Note 13 – Trade and Other Receivables.*

Estimating Net Realizable Value of Inventories

Inventories consist of materials and supplies used in the electricity distribution, power generation and services segments, and are valued at the lower of cost or net realizable value. The cost of inventories is written down whenever the net realizable value of inventories becomes lower than the cost due to damage, physical deterioration, obsolescence, and change in price levels or other causes (i.e., pre-termination of contracts). The lower of cost or net realizable value of inventories is reviewed on a periodic basis. Inventory items identified to be obsolete and no longer usable are written off and charged as expense in the consolidated statement of income.

The carrying values of inventories amounted to ₱10,983 million and ₱11,422 million as at December 31, 2025 and 2024, respectively.

See *Note 14 – Inventories*.

Estimation of Retirement Benefit Costs

The cost of defined benefit retirement plans and other post-employment benefits as well as the present value of the retirement obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement benefits increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Retirement and other post-employment benefits expense amounted to ₱2,002 million, ₱1,668 million and ₱1,180 million for the years ended December 31, 2025, 2024 and 2023, respectively. Retirement and other post-employment benefit liabilities as at December 31, 2025 and 2024 amounted to ₱13,559 million and ₱13,389 million, respectively.

In determining the appropriate discount rate, management considers the interest rates of government bonds in the respective currencies, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases and retirement benefits increases are based on expected future inflation rates for the Philippines.

See *Note 25 – Expenses and Income* and *Note 26 – Long-term Employee Benefits*.

Provisions

Note 2 – Rate Regulations and *Note 29 – Contingencies and Legal Proceedings* discuss various claims, assessments and cases of the *MERALCO Group*. An estimate for probable costs for the resolution of these claims, assessments and cases has been developed in consultation with external counsel and/or internal counsels handling the defense for these claims, assessments and cases and is based upon thorough analysis of potential outcome.

In consultation with its external and internal legal counsels, management does not believe that these claims and legal proceedings will have a material adverse effect on the consolidated financial statements. It is possible, however, that future financial performance could be materially affected by changes in the estimates or the effectiveness of management's strategies and actions relating to these proceedings.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. As at December 31, 2025 and 2024, provisions and other noncurrent liabilities are presented net of the effect of the time value of money of ₱7,476 million and ₱8,265 million, respectively.

See *Note 19 – Provisions* and *Note 22 – Trade Payables and Other Current Liabilities.*

Revenue Recognition

The overall revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables.

Revenues from sale of electricity by *MERALCO, Clark Electric* and *Shin Clark Power* are billed based on customer-specific billing cycle cut-off date for each customer, while billing of related purchased power cost is based on calendar month as provided in the terms of the *PPA*s and *PSA*s. The recognition of unbilled revenues for billing cycles with earlier than month-end cut-off dates requires the use of estimates. The difference between the amounts initially recognized based on provisional invoices and the settlement of the actual billings by power generation companies is taken up in the subsequent period. Also, revenues from sale of electricity are adjusted for the estimated over and/or under-recoveries of pass-through charges, which are subject of various applications for recovery and approval by the *ERC*.

Revenues from sale of electricity also account for variable considerations included in the transaction price resulting from historical refunds to customers. The refund liability related to these variable considerations is included as part of "Trade payables and other liabilities" and "Other noncurrent liabities" accounts in the consolidated statement of financial position. As at December 31, 2025 and 2024, the balance of refund liability (gross of present value adjustments) amounted to ₱22,839 million and ₱18,822 million, respectively.

Management believes that such use of estimates will not result in material adjustments in future periods.

Revenues and costs from construction contracts of *MIESCOR* and *MServ* are recognized based on the output method. This is measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Identifying Methods for Measuring Progress of Revenue Recognized Over Time

The method of measuring progress is either through input or output method. Input method recognizes revenue on the basis of the efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

The *MGen* Group determined that the output method is the more appropriate way of measuring progress as actual electricity is supplied to customers.

6. Segment Information

Each operating segment of the *MERALCO Group* engages in business activities from which revenues are earned and expenses are incurred (including intercompany transactions with other business segments within the *MERALCO Group*). The operating results of each of the operating segments are regularly reviewed by *MERALCO*'s Management Committee to evaluate how resources shall be allocated and to assess their performances based on available financial information.

For management purposes, operating businesses are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and/or services, as follows:

- Power

  The Power segment consists of (a) electricity distribution, (b) power generation and (c) *RES*.

  Electricity distribution – This is principally electricity distribution and supply of power on a pass-through basis covering all captive customers of *MERALCO*, *Clark Electric* and *Shin Clark Power*. Electricity distribution within the *MERALCO* franchise area accounts for approximately 50% of the power requirements of the country. *Clark Electric*'s franchise area covers Clark Special Economic Zone and the sub-zones and *Shin Clark Power*'s franchise area covers the *NCC*.

  Shin Clark through a Joint Venture Agreement ("*JVA*") with *BCDA*, manages the development, operation, and maintenance of the electric power distribution system in the 9,450-hectare *NCC* located within the Clark Special Economic Zone in the towns of Capas and Bamban, Tarlac. The franchise to operate the electric distribution system in *NCC* was granted by Congress under Republic Act No. 11420 to *BCDA*, which assigned the same to *Shin Clark Power*, in exchange for 10% equity interest in *Shin Clark Power*. *Shin Clark Power*, incorporated and registered with the *SEC*, has a *CPCN* issued by the *ERC* to operate as a *DU* for a period of 25 years.

  MERALCO manages the electric distribution facilities of *PELCO II* through *Comstech* under an *IMC*. *MERALCO* also manages the electric distribution facilities in the *CEZ* under a 25-year concession agreement with *PEZA*.

  Power generation – The *MERALCO Group* has a combined group generating capacity of 5,069.7 *MW* (net) of coal, liquid natural gas, renewable and diesel plants in the Philippines and Singapore. In addition, it is currently developing a total of 3,950 *MWp* of solar capacities.

  The capacity includes the 455 *MW* (net) supercritical coal-fired plant in Mauban, Quezon of *SBPL*, of which *MGen* has a 51% interest.

  GBPC owns 831 *MW* (net) of operating coal and diesel-fired power plants in the Visayas and Mindanao. This includes the 2 x 108.5 *MW* (net) *CFB* plant in Maasim, Sarangani of Sarangani Energy Corporation ("*Sarangani Energy"*). *GBPC* has a 50% less one share interest in *ATEC*, which holds a 100% interest in *Sarangani Energy*.

  MGreen is a wholly owned subsidiary of *MGen* engaged in the development, construction and operation of solar-powered generation facilities. It has a 60% equity in *First Bulacan*, which owns and operates a 55 *MWac* utility scale solar facility located in San Miguel, Bulacan, and has an *ERC*-approved *PSA* with *MERALCO* for a period of 20 years up to April 2041.

In 2025, *MGreen* inaugurated *Greenergy's* 52.7 *MWac* and *GSEI's* 19.8 *MWac* solar power plants.

MTerra Solar, a subsidiary of *MGreen,* is developing a 3.5-*GWp* solar power plant facility with a 4,500-*MWh* battery energy storage system. The project with the first phase involving 2,500 *MWdc* is expected to begin commercial operations in 2026 while the balance is due to be completed in 2027.

MGen secured the Department of Energy's ("*DOE*") reaffirmation of the status of its *A1E* 1,200-*MW* ultra supercritical coal-fired power project as a Committed Project, which followed the agency's confirmation that the project remains outside the coverage of the coal moratorium policy.

MGen and Therma NatGas, Inc. ("*TNGP*") have jointly entered into an Investment Agreement with the parties owning 60% and 40% interests in *Chromite Holdings,* respectively.

PHRI, in partnership with Mitsui's local unit Mit-Renewables Philippine Corporation, owns and operates a total of 80.1 *MWac* solar plant in Baras, Rizal ("*Baras Solar Plant*").

Also, a joint venture with Pasuquin Energy Holdings, Inc. of Vena Energy Solar PH B.V. ("*Vena Energy*") and *MGreen*, Nuevo Solar Energy Corporation ("*NSEC*") owns and operates a 68.7 *MWac* solar plant project in Ilocos Norte.

MGreen closed an investment agreement with *Vena Energy*, for the development, construction and operation of the 450 *MWac* solar plant in Bugallon, Pangasinan through 3 Barracuda Energy Corporation ("*Barracuda Energy*"). The project commenced its construction in the fourth quarter of 2024 and is expected to achieve commercial operation by 2026.

MGen also has a combined 58% (direct and indirect interests) in *PacificLight Power,* which owns and operates a 2 x 400 *MW* combined cycle turbine power plant mainly fueled by *LNG* in Jurong Island, Singapore. On May 14, 2025, a 100 *MW* fast-start *LNG* plant is completed and commissioned to provide ancillary services to the Singapore grid under a 25-year Fast Start contract with the Energy Market Authority ("*EMA*").

On January 6, 2025, *PacificLight Power* was awarded the right to build, own and operate a hydrogen-ready Combined Cycle Gas Turbine ("*CCGT*") facility in Jurong Island by the *EMA* of Singapore. The project shall be the largest single H-class *CCGT* plant in Singapore, with the capacity of at least 600 *MW*. The plant is scheduled to begin commercial operations in January 2029.

See *Note 8 – Investments in Associates and Interests in Joint Ventures.*

RES – This business segment sources and supplies electricity to qualified contestable customers. Being distribution utilities, *MERALCO* and *Clark Electric* are also qualified and act as local retail electricity suppliers within their respective franchise area as a separate business unit, *MPower* and *Cogent Energy,* respectively. Under Retail Competition and Open Access ("*RCOA*"), qualified contestable customers who opt for contestability and elect to be among contestable customers may source their electricity supply from any retail electricity suppliers, or through either *MPower* and *Cogent Energy.*

Vantage and *Phoenix Power*, wholly owned subsidiaries of *MERALCO*; *MeridianX*, a wholly owned subsidiary of *Comstech*; and *MGen RES*, a wholly owned subsidiary of *GBPC* are affiliate *RES*s. *Clarion*, a wholly owned subsidiary of *Clark Electric*, submitted the requirements for its *RES* licensing to *ERC* on November 17, 2017. On June 20, 2025, *Clarion* submitted updated documents and other requirements to the *ERC* for the process of re-filing its Application for *RES* license. Subsequently, on December 12, 2025, the *ERC* issued *Clarion*'s *RES* license.

- Other Services

  The "Other Services" segment is involved principally in services associated with electricity distribution, such as, electro-mechanical engineering, construction, consulting and related manpower services, e-transaction and bills collection, telecommunications services, insurance and re-insurance, e-business development, power distribution management, energy systems management and harnessing renewable energy and electric vehicle and charging infrastructure solutions. These services are provided by *MIESCOR*, *MBI*, *MLI* and *CFSI* (collectively known as "*MIESCOR Group*"), *CIS* and *Bayad* (collectively referred to as "*CIS Group*"), *e-MVI*, *Paragon* and *Radius* (collectively referred to as "*e-MVI Group*"), *Comstech*, *LOIL*, *Finserve*, *MServ*, *Spectrum* and *Movem*.

The Management Committee evaluates the performance of the business segments based on (i) net income attributable to equity holders of the parent company, (ii) consolidated net earnings before interest, taxes, and depreciation and amortization ("consolidated *EBITDA*"); and (iii) consolidated core net income ("*CCNI*"). Net income is measured consistent with reported net income in the consolidated statement of income.

Consolidated *EBITDA* is measured as *CCNI* excluding depreciation and amortization, interest and other financial charges, interest and other financial income and provision for income tax.

CCNI for the year is measured as consolidated net income attributable to equity holders of the parent company adjusted for foreign exchange gain or loss, mark-to-market gain or loss, impairment or reversal of impairment of noncurrent assets and certain other non-recurring gain or loss, if any, net of tax effect of the foregoing adjustments.

Billings between operating segments are at an arm's-length basis in a manner similar to transactions with third parties. Segment revenues, segment expenses and segment results include transfers among business segments. Those transfers are eliminated upon consolidation.

The *MERALCO Group* operates and generates substantially all of its revenues in the Philippines (i.e., one (1) geographical location). Thus, geographical segment information is not presented. The *MERALCO Group* has no revenues from transactions with a single external customer amounting to 10% or more of its revenues from external customers.

		Power			Other Services			Inter-segment Transactions			Total		
	Note	**2025**	2024	2023	**2025**	2024	2023	**2025**	2024	2023	**2025**	2024	2023
						(Amounts in millions)							
Revenues		**₱485,547**	₱456,918	₱430,181	**₱11,778**	₱13,444	₱13,431	**₱–**	₱–	₱–	**₱497,325**	₱470,362	₱443,612
Inter-segment transactions		**1,913**	1,620	842	**9,412**	5,323	4,417	**(11,325)**	(6,943)	(5,259)	**–**	–	–
		₱487,460	₱458,538	₱431,023	**₱21,190**	₱18,767	₱17,848	**(₱11,325)**	(₱6,943)	(₱5,259)	**₱497,325**	₱470,362	₱443,612
Segment results		**₱66,270**	₱66,085	₱54,472	**₱2,809**	₱5,563	₱4,940	**₱–**	₱–	₱–	**₱69,079**	₱71,648	₱59,412
Depreciation and amortization	*7, 9, 10 and 25*	**(14,829)**	(15,397)	(14,624)	**(2,205)**	(2,132)	(2,001)	**–**	–	–	**(17,034)**	(17,529)	(16,625)
Equity in net earnings (losses) of associates and joint ventures	*8*	**16,776**	10,307	11,523	**(45)**	(40)	(44)	**–**	–	–	**16,731**	10,267	11,479
Reversal of provision (provision) for probable losses and expenses from claims		**1,653**	(6,362)	(6,875)	**(204)**	(39)	27	**–**	–	–	**1,449**	(6,401)	(6,848)
Interest and other financial charges		**(8,806)**	(4,543)	(4,443)	**(86)**	(759)	(686)	**–**	–	–	**(8,892)**	(5,302)	(5,129)
Interest and other financial income		**3,191**	3,674	3,168	**268**	210	153	**–**	–	–	**3,459**	3,884	3,321
Reversal of provision (provision) for impairment losses		**(1,200)**	117	1,179	**–**	–	–	**–**	–	–	**(1,200)**	117	1,179
Provision for income tax - net	*28*	**(12,208)**	(9,208)	(7,138)	**(542)**	(1,006)	(973)	**–**	–	–	**(12,750)**	(10,214)	(8,111)
Net income (loss) attributable to non-controlling interests		**–**	–	–	**–**	–	–	**288**	(611)	(655)	**288**	(611)	(655)
Net income attributable to equity holders of the parent company		**₱50,847**	₱44,673	₱37,262	**(₱5)**	₱1,797	₱1,416	**₱288**	(₱611)	(₱655)	**₱51,130**	₱45,859	₱38,023
CCNI		**₱50,584**	₱43,352	₱35,705	**(₱14)**	₱1,790	₱1,405	**₱–**	₱–	₱–	**₱50,570**	₱45,142	₱37,110

The inter-segment revenues mainly represent revenues of other services segment earned from the power segment.

The following table shows the reconciliation of *EBITDA*, net income and *CCNI*:

	2025	2024	2023
		(Amounts in millions)	
EBITDA	**₱87,333**	₱75,533	₱65,341
Add (deduct):			
Depreciation and amortization and impairment losses	**(18,254)**	(17,529)	(16,625)
Interest and other financial charges net of income and foreign exchange adjustments	**(5,487)**	(1,320)	(1,927)
Income before income tax	**63,592**	56,684	46,789
Provision for income tax - net	**(12,750)**	(10,214)	(8,111)
Net income	**50,842**	46,470	38,678
Net income (loss) for the year attributable to non-controlling interests	**288**	(611)	(655)
Net income for the year attributable to equity holders of the parent company	**51,130**	45,859	38,023
Add (deduct) non-core items, net of tax:			
Non-core gains – net	**(668)**	(563)	(959)
Foreign exchange losses (gains)	**108**	(154)	46
CCNI	**₱50,570**	₱45,142	₱37,110

7. Utility Plant, Generation Plant and Others

The movements in utility plant, generation plant and others are as follows:

		2025									
	Note	**Land**	**Power Plant Machinery and Equipment**	**Sub-transmission and Distribution**	**Communication Towers, Buildings and Improvements**	**Data Transmission Cables and Communi-cation Equipment**	**Office Furniture, Fixtures and Other Equipment**	**Transportation Equipment**	**Others**	**Construction in Progress**	**Total**
						(Amounts in millions)					
Cost:											
Balance at beginning of year		**₱31,601**	**₱49,979**	**₱254,667**	**₱13,445**	**₱7,666**	**₱6,137**	**₱5,476**	**₱13,526**	**₱49,999**	**₱432,496**
Additions		**7,058**	**2,458**	**699**	**94**	**38**	**724**	**646**	**927**	**94,006**	**106,650**
Transfers from construction in progress		**–**	**1,080**	**18,985**	**1,275**	**389**	**36**	**–**	**312**	**(22,077)**	**–**
Disposals/retirements		**(10)**	**(1,331)**	**(3,051)**	**(137)**	**(1)**	**(9)**	**(128)**	**(297)**	**–**	**(4,964)**
Reclassifications and others	*10*	**5**	**1,569**	**130**	**10**	**(256)**	**11**	**1**	**814**	**(151)**	**2,133**
Balance at end of year		**38,654**	**53,755**	**271,430**	**14,687**	**7,836**	**6,899**	**5,995**	**15,282**	**121,777**	**536,315**
Less accumulated depreciation and amortization:											
Balance at beginning of year		**–**	**8,860**	**104,650**	**5,124**	**3,891**	**4,424**	**3,523**	**6,932**	**–**	**137,404**
Depreciation and amortization		**–**	**3,060**	**9,588**	**504**	**692**	**589**	**430**	**703**	**–**	**15,566**
Disposals/retirements		**–**	**(1,331)**	**(3,050)**	**(134)**	**–**	**(7)**	**(103)**	**(233)**	**–**	**(4,858)**
Reclassifications and others		**–**	**3,741**	**27**	**(279)**	**149**	**(8)**	**–**	**(1,450)**	**–**	**2,180**
Balance at end of year		**–**	**14,330**	**111,215**	**5,215**	**4,732**	**4,998**	**3,850**	**5,952**	**–**	**150,292**
Less allowance for impairment losses											
Balance at beginning of year		**–**	**292**	**–**	**–**	**–**	**–**	**–**	**–**	**6,299**	**6,591**
Charge for the year		**–**	**–**	**–**	**–**	**1,220**	**–**	**–**	**–**	**(20)**	**1,200**
Balance at end of year		**–**	**292**	**–**	**–**	**1,220**	**–**	**–**	**–**	**6,279**	**7,791**
Net book value		**₱38,654**	**₱39,133**	**₱160,215**	**₱9,472**	**₱1,884**	**₱1,901**	**₱2,145**	**₱9,330**	**₱115,498**	**₱378,232**

		2024									
	Note	Land	Power Plant Machinery and Equipment	Sub-transmission and Distribution	Communication Towers, Buildings and Improvements	Data Transmission Cables and Communi-cation Equipment	Office Furniture, Fixtures and Other Equipment	Transportation Equipment	Others	Construction in Progress	Total
						(Amounts in millions)					
Cost:											
Balance at beginning of year		₱31,242	₱52,482	₱232,407	₱16,485	₱7,429	₱5,978	₱5,200	₱11,724	₱43,778	₱406,725
Additions		391	1,928	555	1,416	6	207	402	2,520	33,773	41,198
Transfers from construction in progress		–	–	25,183	634	531	144	–	233	(26,725)	–
Disposals/retirements		(32)	(321)	(3,452)	(48)	(325)	(250)	(122)	(26)	–	(4,576)
Effect of deconsolidation of *MIDC*	*3*	–	–	–	(4,565)	(1)	(6)	(4)	(4,381)	(470)	(9,427)
Reclassifications and others	*10*	–	(4,110)	(26)	(477)	26	64	–	3,456	(357)	(1,424)
Balance at end of year		31,601	49,979	254,667	13,445	7,666	6,137	5,476	13,526	49,999	432,496
Less accumulated depreciation and amortization:											
Balance at beginning of year		–	7,753	99,041	4,944	3,288	4,073	3,246	5,231	–	127,576
Depreciation and amortization		–	3,148	9,059	675	737	602	401	920	–	15,542
Disposals/retirements		–	(320)	(3,446)	(35)	(192)	(250)	(115)	(24)	–	(4,382)
Effect of deconsolidation of *MIDC*	*3*	–	–	–	(462)	–	–	(3)	(886)	–	(1,351)
Reclassifications and others		–	(1,721)	(4)	2	58	(1)	(6)	1,691	–	19
Balance at end of year		–	8,860	104,650	5,124	3,891	4,424	3,523	6,932	–	137,404
Less allowance for impairment losses:											
Balance at beginning of year		–	292	–	–	–	–	–	–	6,416	6,708
Reversal for the period		–	–	–	–	–	–	–	–	(117)	(117)
Balance at end of year		–	292	–	–	–	–	–	–	6,299	6,591
Net book value		₱31,601	₱40,827	₱150,017	₱8,321	₱3,775	₱1,713	₱1,953	₱6,594	₱43,700	₱288,501

As at December 31, 2025 and 2024, the net book values of customer-funded assets included in "Utility plant, generation plant and others" account amounted to ₱6,643 million and ₱6,503 million, respectively. The corresponding liabilities to customers in the same amounts as at December 31, 2025 and 2024 are included in "Other noncurrent liabilities" account in the consolidated statements of financial position.

The power plant complex of *PHRI*, generation plant and equipment of *First Bulacan*, *Greenergy*, *Solar Philippines Calatagan*, *TNI* and *GSEI* and the solar power plant undergoing development of *MTerra Solar*, with aggregate carrying value of ₱95,222 million as at December 31, 2025, are pledged as securities for the project finance debt.

See *Note 17 – Interest-bearing Long-term Financial Liabilities.*

As at December 31, 2025 and 2024, the capitalized site preparation expenses for the development of a power generation plant of *A1E* amounted to ₱12,740 million and ₱12,724 million, respectively. Allowance for impairment loss amounted to ₱6,571 million as at December 31, 2025 and 2024.

In 2025, *Radius* recognized an impairment loss amounting to ₱1,220.0 million related to network assets deployed to support its RED Fiber consumer business due to their under-utilization. The recoverable amount was determined based on value in use, using cash flow projections approved by management and a market-based interest rate.

Construction in progress pertains to both electric capital projects ("*ECP*s") and non-*ECP*s. *ECP*s are capital projects involving construction of new electric distribution-related facilities and the upgrade and major rehabilitation of existing electrical facilities. Non-*ECP*s mainly represent construction of *MGen*'s power plant projects, *MERALCO*'s buildings and improvements, and *Radius*' network expansion projects. Total interest capitalized amounted to ₱3,702 million, ₱675 million and ₱563 million based on average capitalization rate of 6%, 7% and 6% for the years ended December 31, 2025, 2024 and 2023, respectively.

8. Investments in Associates and Interests in Joint Ventures

This account consists of the following:

	Place of Incorporation	Principal Activity	**2025**	2024
			Percentage of Ownership	
Associates				
FPM Power Holdings Limited ("*FPM Power*")/*PacificLight Power*	British Virgin Islands/ Singapore	Investment and holding company/ Power generation	**58**	58
ATEC	Philippines	Power generation	**50**	50
Barracuda Energy	Philippines	Renewable energy	**50**	50
Redondo Peninsula Energy Inc. ("*RP Energy*")	Philippines	Power generation	**47**	47
Pacific Medco Solar Energy Pte Ltd. ("*Pacific Medco*")	Singapore	Renewable energy	**21.46**	21.46
Aclara Meters Philippines, Inc. ("*Aclara Meters*")	Philippines	Sale of metering products and services	**35**	35
Power Distribution Services Ghana Limited ("*PDS Ghana*")	Ghana	Distribution of power	**30**	30
Kayana	Philippines	Electronic payment and reward system	**27.50**	27.50
Terra Renewables Holdings, Inc.	Philippines	Holding company	**34.6**	26.85
Pylon	Philippines	Holding company	**25.56**	25.56
Indra Philippines, Inc. ("*Indra Philippines*")	Philippines	Management and *IT* consultancy	**24.95**	24.95

	Place of Incorporation	Principal Activity	**2025** Percentage of Ownership	2024
AF Payments	Philippines	Electronic payment clearing and settlement system operator	**10**	10
Joint Ventures				
Chromite Holdings	Philippines	Holding company	**60**	–
SBPL	Philippines	Power generation	**51**	51
Kalilayan Power, Inc.	Philippines	Holding company	**51**	51
MRail-DESCO Joint Venture ("*MDJV*")	Philippines	Maintenance of mass transit system	**51**	51
Pure Meridian Hydropower Corporation ("*Pure Meridian*")	Philippines	Renewable energy	**50**	50
NSEC	Philippines	Power generation	**50**	50
First Balfour-MRail Joint Venture ("*FBMJV*")	Philippines	Maintenance of mass transit system	**49**	49
MPioneer Insurance Inc. ("*MPioneer*")	Philippines	Insurance	**35**	35
Rockwell Business Center Joint Venture ("*RBC JV*")	Philippines	Real estate	**30**	30

The movements in investments in associates and interests in joint ventures are as follows:

	Note	**2025**	2024
		(Amounts in millions)	
Acquisition cost:			
Balance at beginning of year		**₱42,378**	₱33,458
Additions		**86,946**	8,324
Hedge accounting adjustment in cost	*27*	**(1,717)**	–
Reclassification		**(139)**	596
Balance at end of year		**127,468**	42,378
Accumulated equity in net earnings:			
Balance at beginning of year		**3,968**	5,283
Equity in net earnings for the year		**16,731**	10,267
Dividends received		**(9,181)**	(10,253)
Reclassification		**1**	(1,329)
Balance at end of year		**11,519**	3,968
Share in remeasurement adjustments on retirement liabilities:			
Balance at beginning of year		**(28)**	(29)
Share in actuarial gains		**–**	1
Balance at end of year		**(28)**	(28)
Share in cumulative translation adjustments:			
Balance at beginning of year		**1,866**	(22)
Cumulative translation adjustments		**739**	333
Reclassification		**–**	1,555
Balance at end of year		**2,605**	1,866
Share in other comprehensive income:			
Balance at beginning of year		**(291)**	329
Share in other comprehensive income for the year		**(453)**	185
Reclassification		**–**	(805)
Balance at end of year		**(744)**	(291)
Allowance for impairment loss:			
Balance at beginning of year		**(380)**	(631)
Reversals – net of provisions		**–**	99
Reclassification		**–**	152
Balance at end of year		**(380)**	(380)
		₱140,440	₱47,513

The carrying values of investments in associates and interests in joint ventures follow:

	Note	**2025**	2024
		(Amounts in millions)	
Associates:			
FPM Power/PacificLight Power		**₱20,898**	₱17,505
ATEC		**9,831**	9,769
Pylon	*3*	**6,181**	6,594
Barracuda Energy	*6*	**3,170**	1,048
Kayana		**638**	362
Indra Philippines		**397**	416
Pacific Medco		**221**	112
RP Energy		**119**	119
Aclara Meters		**117**	98
Others		**52**	76
Joint ventures:			
Chromite Holdings		**87,196**	–
SBPL		**9,693**	9,574
RBC JV		**726**	723
NSEC		**578**	604
MPioneer		**565**	455
MDJV		**58**	58
		₱140,440	₱47,513

FPM Power/PacificLight Power

FPM Power is 40%-owned by *MERALCO* through *MPG Asia* (a wholly-owned subsidiary of *MGen)* and 60%-owned by First Pacific Company Limited ("*First Pacific*"). *FPM Power* has a 70% equity interest in *PacificLight Power*, which owns and operates a 2 x 400 *MW LNG*-fired power plant and a newly commissioned 100 *MW* fast-start *LNG* facility in Jurong Island, Singapore. *PacificLight Power*'s wholly owned subsidiary, PacificLight Energy Pte. Ltd., is engaged in energy trading.

ATEC

ATEC has the following equity interests: (i) 100% of *Sarangani Energy* which operates a 2 x 118.5 *MW* (gross capacity) baseload coal-fired plant in Maasim, Sarangani Province; (ii) 100% of San Ramon Power, Inc. which is developing a 120 *MW* baseload coal-fired plant in Zamboanga City; and (iii) 100% of ACES Technical Services Corporation, which provides operations and maintenance services to *ATEC's* power plants.

Pylon

On July 11, 2024, the *PCC* approved the joint venture among *MIESCOR, Connect* and *PHPL*. The shareholders of *TowerCos* executed a Multi-party Share Swap Agreement with both shareholders of *MIDC* and *PhilTower* transferring their respective ownerships in *TowerCos* to *Pylon*. After the swap, *MIESCOR* owns 25.56% of *Pylon* (from 51% in *MIDC*) with *Pylon* owning 100% each of *MIDC* and *PhilTower*. The transaction is aimed at improving coverage for the *TowerCos*' mobile network clients and driving investment in digital infrastructure in the Philippines. The *SEC* approved the share swap transaction on August 20, 2024 and the completion of other closing conditions and issuance of shares were finalized on September 13, 2024.

The fair values of the identifiable assets and liabilities of *Pylon* as at closing date, are as follows:

	Amounts in millions
Property and equipment	₱18,281
Intangible other noncurrent assets	28,930
Cash and cash equivalents	2,711
Trade and other receivables	821
Inventories and other current assets	6,798
Interest-bearing long-term financial liabilities	(24,584)
Trade and other payables	(9,644)
Net identifiable assets	23,313
Equity interest acquired	25.56%
Net assets acquired	5,958
Goodwill	881
Net assets acquired	₱6,839

Kayana

Kayana is an electronic payment and reward system company that aims to create a platform that integrates services into one primary channel. *Kayana* is owned by *PLDT, MERALCO* and *Metro Pacific* with equity interests of 45%, 27.5% and 27.5%, respectively.

Indra Philippines

Indra Philippines is an *IT* service provider in the country and in the Asia Pacific region, with a wide range of services across various industries. *Indra Philippines* provides services which meet certain of *MERALCO*'s *IT* requirements in the area of system development, outsourcing of Information Systems ("*IS*") and *IT* operations and management consulting.

Pacific Medco

PLP Renewables is 58%-owned by *MERALCO* through *MGreen International* (a wholly-owned subsidiary of *MGreen). PLP Renewables* has a 37% equity interest in *Pacific Medco*, a Singapore-based entity, in the process of developing a large-scale solar *PV* plant in Bulan Island, Indonesia, the energy of which shall be transmitted via subsea cable to Singapore. This project aims to increase the share of renewal energy in Singapore.

Aclara Meters

Aclara Meters is 35% owned by *MERALCO* and 65%, by Aclara Technology LLC. *Aclara Meters* is primarily engaged in the manufacture and assembly of kilowatt-hour meters and meter accessories and import, export, distribute and otherwise deal in or with all kinds of related and other similar products.

RP Energy

RP Energy is a joint venture among *MGen,* Therma Power, Inc. ("*TPI*") and Taiwan Cogeneration International Corporation – Philippine Branch ("*TCIC*") for the construction and operation of a power plant in the Subic Bay Freeport Zone.

AF Payments

MERALCO, through *Finserve*, has a 10% equity interest in *AF Payments*. *AF Payments* operates and maintains an electronic payment clearing and settlement system through a contactless automated fare collection system for public utility, including generic contactless micropayment solution. It supplies and issues fare media and store value cards or reloadable cards for use in transport and non-transport facilities and operates and maintains the related hardware and software. The concession granted by the Department of Transportation ("*DOTr*") expired on December 16, 2025. *AF Payments* is in the process of finalizing a proposed two (2) year extension of the concession agreement with *DOTr*.

Due to the lower than expected penetration rate into the micropayments business, *MERALCO* recognized impairment in prior periods on the carrying amount of its investment in *AF Payments*.

Chromite Holdings

On January 27, 2025, *Chromite Holdings*, which is a joint venture between *MGen* (60%) and *TNGP* (40%), completed the acquisition of 67% stake in the two (2) gas-fired power plants owned by San Miguel Global Power Holdings Corp. ("*San Miguel Global*"), the 1,200 *MW* Ilijan power plant of South Premiere Power Corporation ("*SPPC*"), and a new 1,275 *MW* combined cycle power facility of Excellent Energy Resources. Inc's ("*EERI*"), and the *LNG* import and regasification terminal owned by Linseed Field Corporation ("*Linseed*"). The transaction was approved by the *PCC* on December 23, 2024.

On April 30, 2025, all three (3) units of *EERI* achieved commercial operation.

On June 1, 2025, *Linseed* completed its regasification terminal and achieved 2,400-*MW* gas send-out capacity allowing it to fully service the requirements of *SPPC* and *EERI*.

The details of the purchase consideration in accordance with the Investment Agreement are as follow:

	Amounts in millions
Cash paid	₱69,663
Hedge accounting adjustment	(1,717)
Liabilities	12,033
Total purchase consideration	₱79,979

The fair values of the identifiable assets and liabilities as at the date of acquisition, are as follows:

	Amounts in millions
Generation plant and others	₱148,668
Intangible assets	102,154
Other noncurrent assets	429
Cash and cash equivalents	1,918
Trade and other receivables	11,137
Inventories	4,474
Other current assets	23,683
Trade and other payables	(40,672)
Interest-bearing long-term financial liabilities	(14,834)
Deferred tax liabilities	(31,784)
Other noncurrent liabilities	(6,220)
Net identifiable assets	198,953
Equity interest acquired	40.2%
Net assets acquired	₱79,979

SBPL

SBPL, which is a joint venture between *MGen* (51%) and New Growth B.V. (49%), a 100% subsidiary of Electricity Generating Public Company Limited of Thailand ("*EGCO*"), owns and operates a 455 *MW* (net) supercritical coal-fired power plant in Mauban, Quezon.

SBPL delivers all its plant output to *MERALCO* under a 20-year *PSA* approved by the *ERC*.

RBC JV

RBC JV is a joint venture between Rockwell Land Corporation ("*Rockwell Land*") and *MERALCO* for a pre-agreed cooperation period, whereby *Rockwell Land* built and manages three (3) Business Process Outsourcing-enabled buildings on a non-regulatory asset base property of *MERALCO*. Investment in *RBC JV* represents *MERALCO*'s 30% interest in the joint venture, while *Rockwell Land* has 70% interest in *RBC JV*.

NSEC

NSEC, a joint venture between *MGreen* and *Vena Energy*, owns and operates a 68 *MWac* solar power plant in Currimao, Ilocos Norte. *NSEC* has a 20- year *PSA* with *MPower*.

MPioneer

MPioneer is 35% owned by *MERALCO* and 65% owned by Pioneer Insurance and Surety Company. It is engaged in non-life insurance business.

MDJV

On June 2, 2014, *MRail* and Desco, Inc. entered into a Joint Venture Agreement for the general overhaul and rehabilitation of three (3) units of diesel electric locomotives by the Philippine National Railways. The project including its warranty period was completed on April 19, 2019. As at December 31, 2025, *MDJV* is still in the process of liquidation.

The condensed statements of financial position of material associates follow:

	2025			
	ATEC	***FPM Power / PacificLight Power***	***Pylon***	***Barracuda***
		(Amounts in millions)		
Current assets	**₱4,489**	**₱19,986**	**₱5,150**	**₱3,375**
Noncurrent assets	**30,366**	**41,971**	**56,634**	**19,133**
Current liabilities	**(6,538)**	**(20,149)**	**(4,264)**	**(819)**
Noncurrent liabilities	**(8,655)**	**(15,193)**	**(36,784)**	**(15,509)**
Net assets	**₱19,662**	**₱26,615**	**₱20,736**	**₱6,180**

	2024			
	ATEC	*FPM Power / PacificLight Power*	*Pylon*	*Barracuda*
		(Amounts in millions)		
Current assets	₱3,210	₱15,847	₱12,495	₱2,173
Noncurrent assets	32,451	34,340	43,959	6,176
Current liabilities	(4,688)	(14,420)	(9,480)	(1,599)
Noncurrent liabilities	(7,453)	(13,281)	(24,703)	(4,815)
Non-controlling interests	(3,982)	–	–	–
Net assets	₱19,538	₱22,486	₱22,271	₱1,935

The condensed statements of comprehensive income of material associates are as follows:

	2025				2024				2023		
	ATEC	***FPM Power / Pacific Light Power***	***Pylon***	***Barracuda***	*ATEC*	*FPM Power / Pacific Light Power*	*Pylon*	*Barracuda*	*ATEC*	*FPM Power / Pacific Light Power*	*Indra Philippines*
					(Amounts in millions)						
Revenues	**₱10,073**	**₱77,806**	**₱6,324**	**₱–**	₱10,539	₱85,577	₱1,080	₱–	₱10,790	₱114,383	₱2,891
Costs and expenses	**(7,520)**	**(65,042)**	**(7,942)**	**(377)**	(7,567)	(72,702)	(2,039)	(31)	(8,473)	(97,947)	(2,596)
Net income (loss)	**2,553**	**12,764**	**(1,618)**	**(377)**	2,972	12,875	(959)	(31)	2,317	16,436	295
Non-controlling interests	**–**	**–**	**–**	**–**	(635)	–	–	–	(548)	–	–
Net income (loss) attributable to equity holders of the parent company	**2,553**	**12,764**	**(1,618)**	**(377)**	2,337	12,875	(959)	(31)	1,769	16,436	295
Other comprehensive income (loss)	**–**	**(937)**	**–**	**–**	–	508	–	–	–	–	(64)
Total comprehensive income (loss)	**₱2,553**	**₱11,827**	**(₱1,618)**	**(₱377)**	₱2,337	₱13,383	(₱959)	(₱31)	₱1,769	₱16,436	₱231
Dividends received	**₱875**	**₱6,395**	**₱–**	**₱–**	₱912	₱7,015	₱–	₱–	₱800	₱8,164	₱20

The reconciliation of the net assets of the foregoing material associates to the carrying amounts of investments and advances in these associates recognized in the consolidated statements of financial position is as follows:

	2025			
	ATEC	***FPM Power / PacificLight Power***	***Pylon***	***Barracuda***
	(Amounts in millions, except % of ownership)			
Net assets of associates	**₱19,662**	**₱26,615**	**₱20,736**	**₱6,180**
Proportionate ownership in associates (%)	**50**	**58**	**25.56**	**50**
	9,831	**15,437**	**5,300**	**3,090**
Fair value and other adjustments	**–**	**5,461**	**881**	**80**
	₱9,831	**₱20,898**	**₱6,181**	**₱3,170**

	2024			
	ATEC	*FPM Power / PacificLight Power*	*Pylon*	*Barracuda*
	(Amounts in millions, except % of ownership)			
Net assets of associates	₱19,538	₱22,486	₱22,271	₱1,935
Proportionate ownership in associates (%)	50	58	25.56	50
	9,769	13,042	5,692	968
Fair value and other adjustments	–	4,539	902	80
	₱9,769	₱17,581	₱6,594	₱1,048

The following is the aggregate information of associates that are considered as not individually material:

	2025	2024	2023
		(Amounts in millions)	
Share in net income (loss)	**₱61**	(₱218)	₱55
Share in other comprehensive income	**–**	1	2
Share in total comprehensive income (loss)	**₱61**	(₱217)	₱57
Dividends received	**₱153**	₱110	₱28

Joint Ventures

The condensed statements of financial position of material joint ventures follow:

	2025		
	RBC JV	***SBPL***	***Chromite Holdings***
		(Amounts in millions)	
Cash and cash equivalents	**₱685**	**₱3,957**	**₱69**
Current assets, excluding cash and cash equivalents	**363**	**5,265**	**–**
Noncurrent assets	**1,861**	**39,673**	**147,491**
Trade payables	**(84)**	**(714)**	**(5)**
Current liabilities, excluding trade payables	**(405)**	**(4,023)**	**(19,421)**
Noncurrent liabilities	**–**	**(25,152)**	**–**
Net assets	**₱2,420**	**₱19,006**	**₱128,134**

	2024	
	RBC JV	*SBPL*
	(Amounts in millions)	
Cash and cash equivalents	₱640	₱3,940
Current assets, excluding cash and cash equivalents	316	6,686
Noncurrent assets	1,937	40,875
Trade payables	(23)	(782)
Current liabilities, excluding trade payables	(456)	(4,362)
Noncurrent liabilities	(4)	(27,585)
Net assets	₱2,410	₱18,772

The condensed statements of comprehensive income of material joint ventures are as follows:

	2025			2024		2023	
	RBC JV	***SBPL***	***Chromite Holdings***	*RBC JV*	*SBPL*	*RBC JV*	*SBPL*
			(Amounts in millions)				
Revenues	**₱866**	**₱17,148**	**₱–**	₱873	₱20,198	₱847	₱24,449
Costs and expenses, excluding depreciation	**(152)**	**(9,806)**	**(184)**	(161)	(12,677)	(165)	(17,443)
Depreciation	**(218)**	**(1,553)**	**–**	(215)	(1,544)	(212)	(1,499)
Other income (expense) - net	**210**	**(2,498)**	**11,964**	223	(2,624)	8	(2,973)
Benefit from (provision for) income tax – net	**(128)**	**56**	**–**	(106)	(28)	(93)	15
Net income	**₱578**	**₱3,347**	**₱11,780**	₱614	₱3,325	₱385	₱2,549
Dividends received	**₱170**	**₱1,588**	**₱–**	₱168	₱2,031	₱181	₱913

The reconciliation of the net assets of the foregoing material joint ventures to the carrying amounts of investments in these joint ventures recognized in the consolidated statements of financial position is as follows:

	2025		
	RBC JV	***SBPL***	***Chromite Holdings***
		(Amounts in millions, except % of ownership)	
Net assets of joint ventures	**₱2,420**	**₱19,006**	**₱128,134**
Proportionate ownership in joint ventures (%)	**30**	**51**	**60**
	726	**9,693**	**76,880**
Fair value and other adjustments	**–**	**–**	**10,316**
	₱726	**₱9,693**	**₱87,196**

	2024	
	RBC JV	*SBPL*
	(Amounts in millions, except % of ownership)	
Net assets of joint ventures	₱2,410	₱18,772
Proportionate ownership in joint ventures (%)	30	51
	₱723	₱9,574

The following is the condensed financial information of joint ventures which are considered immaterial:

	2025	2024	2023
		(Amounts in millions)	
Share in net income	**₱63**	₱42	₱25
Share in other comprehensive income	**–**	(1)	1
Share in total comprehensive income	**₱63**	₱41	₱26
Dividends received	**₱–**	₱16	₱–

9. Investment Properties

The movements in investment properties are as follows:

	2025		
	Land	**Buildings and Improvements**	**Total**
	(Amounts in millions)		
Cost	**₱1,428**	**₱209**	**₱1,637**
Less accumulated depreciation:			
Balance at beginning of year	**–**	**150**	**150**
Depreciation	**–**	**4**	**4**
Balance at end of year	**–**	**154**	**154**
	₱1,428	**₱55**	**₱1,483**

	2024		
	Land	Buildings and Improvements	Total
	(Amounts in millions)		
Cost:			
Balance at beginning of year	₱1,428	₱211	₱1,639
Others	–	(2)	(2)
Balance at end of year	1,428	209	1,637
Less accumulated depreciation:			
Balance at beginning of year	–	146	146
Depreciation	–	4	4
Balance at end of year	–	150	150
	₱1,428	₱59	₱1,487

Investment properties consist of decommissioned substation sites, real properties held for capital appreciation, and other non-regulatory asset base real properties. Some of these investment properties are being leased out.

The aggregate fair values of the investment properties as at December 31, 2025 and 2024 are as follows:

	2025	2024
	(Amounts in millions)	
Land	₱5,619	₱5,589
Buildings and improvements	164	135

The fair values of investment properties were determined by independent, professionally qualified appraisers. The fair value represents the price that would be received to sell an investment property in an orderly transaction between market participants at the measurement date.

The fair value disclosures of the investment properties are categorized as Level 3 as there is no active market for identical or similar properties. The inputs include price per square meter ranging from ₱100 to ₱409,000. There have been no changes in the valuation techniques used.

In conducting the appraisal, the independent professional appraisers used one (1) of the following approaches:

a. Market Data or Comparative Approach

Under this approach, the value of the property is based on sales and listings of comparable property registered within the vicinity. This approach requires the establishment of a comparable property by reducing comparative sales and listings to a common denominator with the subject property. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparables. The properties used are either situated within the immediate vicinity or at different floor levels of the same building, whichever is most appropriate to the property being valued. Comparison was premised on the following: location, size and physical attributes, selling terms, facilities offered and time element.

b. Depreciated Replacement Cost Approach

This method of valuation considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation based on physical wear and tear and obsolescence.

10. Intangible Assets

The movements of intangible assets are as follows:

		2025				
	Note	**Software**	**Franchise**	**Land and Leasehold Rights**	**Customer Contracts**	**Total**
		(Amounts in millions)				
Cost:						
Balance at beginning of year		**₱8,460**	**₱63**	**₱776**	**₱43,505**	**₱52,804**
Additions		**622**	**–**	**24**	**–**	**646**
Disposals/retirement		**(50)**	**–**	**–**	**–**	**(50)**
Reclassification	*3*	**(9)**	**–**	**(104)**	**–**	**(113)**
Balance at end of year		**9,023**	**63**	**696**	**43,505**	**53,287**
Less accumulated amortization:						
Balance at beginning of year		**6,113**	**–**	**463**	**4,375**	**10,951**
Amortization		**390**	**–**	**32**	**1,042**	**1,464**
Disposals/retirement		**(50)**	**–**	**–**	**–**	**(50)**
Reclassification	*3*	**(2)**	**–**	**(28)**	**–**	**(30)**
Balance at end of year		**6,451**	**–**	**467**	**5,417**	**12,335**
Less allowance for impairment loss		**294**	**–**	**–**	**–**	**294**
		₱2,278	**₱63**	**₱229**	**₱38,088**	**₱40,658**

		2024						
	Note	Software	Franchise	Land and Leasehold Rights	Customer Contracts	Acquired Network Location	Build-to-suit Contracts	Total
				(Amounts in millions)				
Cost:								
Balance at beginning of year		₱8,047	₱63	₱551	₱43,505	₱8,398	₱2,949	₱63,513
Additions		514	–	225	–	3,310	1,160	5,209
Effect of deconsolidation of *MIDC*	*3*	(15)	–	–	–	(11,707)	(4,110)	(15,832)
Reclassification	*3*	(86)	–	–	–	(1)	1	(86)
Balance at end of year		8,460	63	776	43,505	–	–	52,804
Less accumulated amortization:								
Balance at beginning of year		5,740	–	441	3,327	275	96	9,879
Amortization		472	–	108	1,050	261	92	1,983
Effect of deconsolidation of *MIDC*	*3*	(3)	–	–	–	(550)	(175)	(728)
Reclassification	*3*	(96)	–	(86)	(2)	14	(13)	(183)
Balance at end of year		6,113	–	463	4,375	–	–	10,951
Less allowance for impairment loss:								
Balance at beginning of year		–	–	–	–	–	–	–
Impairment loss		294	–	–	–	–	–	294
Balance at end of year		294	–	–	–	–	–	294
		₱2,053	₱63	₱313	₱39,130	₱–	₱–	₱41,559

The identified intangible asset from the acquisition of controlling interest in *SPNEC* pertains to the existing customer contract of *MTerra Solar* at acquisition date which was recognized at fair value.

Acquired network location intangibles represent the value to *MIDC* of the benefits from leasing the excess capacity on acquired towers to other mobile network operators. The build-to-suit contract intangibles pertain to the contractual commitment of Globe Telecom, Inc ("*Globe*") to engage *MIDC* to build a committed number of additional towers with *Globe* as tenant.

In September 2024, as a result of the Multi-Party Share Swap Agreement, the balances of the acquired network location and build-to-suit contracts of *MIDC* were deconsolidated.

See *Note 3 – Statement of Compliance and Basis of Consolidation.*

11. Other Noncurrent Assets

This account consists of:

	Note	**2025**	2024
		(Amounts in millions)	
Financial assets:			
Financial assets at *FVOCI*	*27*	**₱3,231**	₱4,407
Debt securities at amortized cost	*15 and 27*	**1,088**	1,091
Nonfinancial assets:			
Under-recoveries of pass-through charges – net	*2 and 24*	**10,535**	17,666
Deposits		**7,147**	6,688
Finance lease		**899**	875
Deferred input *VAT*		**23**	82
Receivable from the *BIR*		**181**	181
Construction bonds		**162**	165
Others		**870**	1,745
		₱24,136	₱32,900

Financial Assets at *FVOCI*

The details of financial assets at *FVOCI* are as follows:

	2025	2024
	(Amounts in millions)	
Investments in debt securities - corporate bonds and others	**₱777**	₱2,023
Investments in shares of stock and club shares	**2,454**	2,384
	₱3,231	₱4,407

Interest income from debt and equity securities amounted to ₱420 million, ₱577 million and ₱831 million for the years ended December 31, 2025, 2024 and 2023, respectively.

The rollforward of unrealized fair value gains on quoted *FVOCI* financial assets, net of tax, included in the consolidated statements of financial position follow:

	2025	2024
	(Amounts in millions)	
Balance at beginning of year	**₱801**	₱490
Unrealized fair value gains (losses) on fair value changes on:		
Debt securities	**108**	194
Equity securities	**(14)**	117
Balance at end of year	**₱895**	₱801

Debt Securities at Amortized Cost

The details of debt securities at amortized cost are as follows:

	2025			2024		
	Current Portion (see *Note 15*)	**Noncurrent Portion**	**Total**	Current Portion (see *Note 15*)	Noncurrent Portion	Total
			(Amounts in millions)			
Government securities	**₱–**	**₱1,056**	**₱1,056**	₱8,601	₱1,056	₱9,657
Private debt securities	**–**	**32**	**32**	213	35	248
	₱–	**₱1,088**	**₱1,088**	₱8,814	₱1,091	₱9,905

Net Under-Recoveries of Pass-through Charges

This account represents generation, transmission and other pass-through costs incurred by *MERALCO* and *Clark Electric* as *DU*s, determined based on *ERC*-approved recovery mechanism, which shall be billed to customers, upon confirmation by the *ERC*. The balance also includes net under-recoveries of generation, transmission and other pass-through charges of current and prior periods, which are the subject of various applications for recovery and approval by the *ERC*.

Allowance for *ECL* for net under -recoveries of pass-through charges amounted to ₱4,602 million and ₱6,639 million as at December 31, 2025 and 2024.

See *Note 13 – Trade and Other Receivables*.

Deferred Input VAT

The amount represents the balance of input *VAT* incurred up to December 31, 2021, and paid in connection with purchase of capital assets in excess of ₱1 million per month. Such input tax from purchase of capital assets was deferred and offset againt output tax evenly over the estimated useful lives of the related capital assets or 60 months, whichever is shorter.

Finance Lease

Spectrum entered into several bilateral *PSA*s to lease out solar power generation systems to its customers under a finance lease arrangement for periods ranging from 10 to 28 years.

Spectrum recognized finance lease receivables equivalent to its net investments under the lease. Net investment in the lease is the fair value of the asset and the present value of the minimum lease payments, whichever is lower. The average implicit interest rate of the lease arrangements ranges from 7.07% to 12.52% per annum at the inception of the lease.

Minimum lease payment pertains to the price of estimated energy output that the asset can produce and deliver to the lessee. The difference of actual and minimum lease payments from finance lease arrangements is recognized under "Other income (expense)" account in the consolidated statement of income.

The lease payments made by the lessees consist of interest and principal determined using the *EIR* method. The lease receivable is reduced by the principal portion of the lease payment made by the lessee.

12. Cash and Cash Equivalents

This account consists of:

	2025	2024
	(Amounts in millions)	
Cash on hand and in banks	**₱41,292**	₱30,165
Cash equivalents	**68,025**	54,315
	₱109,317	₱84,480

Cash in banks earn interest at prevailing bank deposit rates. Cash equivalents are temporary cash investments, which are made for varying periods of up to three (3) months depending on *MERALCO Group*'s immediate cash requirements and earn interest at the prevailing short-term investment rates.

Interest income on cash in banks and cash equivalents amounted to ₱2,849 million, ₱3,161 million and ₱2,339 million for the years ended December 31, 2025, 2024 and 2023, respectively.

As at December 31, 2025 and 2024, cash and cash equivalents include balances in bank accounts totaling ₱5,077 million and ₱4,669 million, respectively, equivalent to unpaid *SC* refund, meter deposits, *RES* bill deposits and over-recoveries of pass-through charges which *MERALCO* set aside in compliance with regulatory requirements.

13. **Trade and Other Receivables**

This account consists of:

	Note	**2025**	2024
		(Amounts in millions)	
Trade:			
Electricity sold	*23 and 27*	**₱46,030**	₱43,682
Service contracts		**10,955**	10,533
Energy generated	*27*	**6,717**	6,613
Unbilled receivables	*24*	**8,150**	3,387
Subscription receivable	*3*	**12,109**	–
Nontrade	*23 and 27*	**2,441**	9,336
		86,402	73,551
Less allowance for expected credit losses		**9,676**	8,854
		₱76,726	₱64,697

Movements in allowance for expected credit losses for trade and other receivables are as follows:

	2025			
	Balance at Beginning of Year	**Provisions**	**Write-offs**	**Balance at End of Year**
		(Amounts in millions)		
Trade:				
Electricity sold	**₱6,349**	**₱504**	**(₱5)**	**₱6,848**
Energy generated	**1,279**	**173**	**(151)**	**1,301**
Other trade receivables	**787**	**330**	**–**	**1,117**
Nontrade receivables	**439**	**39**	**(68)**	**410**
	₱8,854	**₱1,046**	**(₱224)**	**₱9,676**

	2024			
	Balance at Beginning of Year	Provisions (Reversals)	Write-offs	Balance at End of Year
		(Amounts in millions)		
Trade:				
Electricity sold	₱5,557	₱792	₱–	₱6,349
Energy generated	1,276	54	(51)	1,279
Other trade receivables	916	40	(169)	787
Nontrade receivables	454	(15)	–	439
	₱8,203	₱871	(₱220)	₱8,854

	2025					2024				
	Trade					Trade				
	Electricity Sold	Energy Generated	Other Trade Receivables	Nontrade Receivables	Total	Electricity Sold	Energy Generated	Other Trade Receivables	Nontrade Receivables	Total
	(Amounts in millions)									
Individually impaired	₱4,732	₱–	₱1,117	₱410	₱6,259	₱4,680	₱–	₱787	₱439	₱5,906
Collectively impaired	2,116	1,301	–	–	3,417	1,669	1,279	–	–	2,948
	₱6,848	₱1,301	₱1,117	₱410	₱9,676	₱6,349	₱1,279	₱787	₱439	₱8,854

Trade Receivables – Electricity Sold

Trade receivables of *MERALCO*, *Clark Electric* and *Shin Clark* include charges for pass-through costs. Pass-through costs of *MERALCO* as a *DU* consist of generation, transmission and *SL* charges, which represent 64%, 8% and 5%, respectively, of the total billed amount in 2025 and 63%, 7% and 5%, respectively, of the total billed amount in 2024. Billed receivables are due 10 days after bill date. *MERALCO*'s, *Clark Electric*'s and *Shin Clark*'s trade receivables are noninterest-bearing and are substantially secured by bill deposits. Electricity consumed after the meter reading cut-off dates, which will be billed to customers in the immediately following billing period, is included as part of trade receivables.

See *Note 27 – Financial Assets and Financial Liabilities.*

Trade Receivables – Energy Generated

Trade receivables – energy generated represents non-interest-bearing outstanding billings for energy generated and sold and pass-through fuel costs arising from the delivery of electricity to customers and energy sales to the *WESM* by power generation subsidiaries. Credit term is 15 to 30 days from the date of receipt of billing.

Trade Receivables – Service Contracts

Service contracts receivable arise from contracts entered into with the *MIESCOR Group*, *eMVI Group*, *CIS Group*, *MRail*, *MServ*, *Finserve*, *Comstech*, *eSakay* and *Spectrum* for construction, engineering, consulting and related manpower, light rail maintenance, telecommunications and data transport, e-transactions and bills collection, tellering and e-business development, energy systems management and harnessing renewable energy to third parties.

Receivables from service contracts and others are noninterest-bearing and are generally on 30 to 90-day terms.

See *Note 11 – Other Noncurrent Assets.*

14. **Inventories**

	2025	2024
	(Amounts in millions)	
Materials and supplies:		
At cost	**₱12,000**	₱12,427
At net realizable value ("*NRV*")	**10,983**	11,422
Materials and supplies at lower of cost and *NRV*	**₱10,983**	₱11,422

The net realizable value of inventories is net of allowance for inventory obsolescence of ₱1,017 million and ₱1,005 million as at December 31, 2025 and 2024, respectively. No item of inventory has been written off for the years ended December 31, 2025, 2024 and 2023.

Movements in allowance for inventory obsolescence are as follows:

	2025	2024
	(Amounts in millions)	
Balance at beginning of year	**₱1,005**	₱1,013
Provision for (reversal of) allowance for inventory obsolescence	**12**	(8)
Balance at end of year	**₱1,017**	₱1,005

See *Note 25 – Expenses and Income.*

15. **Other Current Assets**

	Note	**2025**	2024
		(Amounts in millions)	
Financial assets:			
Short-term investments		**₱140**	₱12
Debt securities at amortized cost	*11*	**–**	8,814
Current portion of advance payments to a supplier		**–**	206
Nonfinancial assets:			
Input *VAT*		**9,293**	2,734
Advance payments to suppliers		**3,252**	2,229
Prepayments		**1,275**	2,241
Prepaid tax		**934**	953
Derivative assets		**524**	–
Creditable withholding taxes		**456**	1,286
Others		**324**	542
		₱16,198	₱19,017

16. **Equity**

Common Stock

	2025	2024
	(In millions, except par value)	
Authorized number of shares - ₱10 par value per share	**1,250**	1,250
Issued and outstanding – number of shares	**1,127**	1,127

There was no movement in the number of shares of *MERALCO*'s common stock.

The common shares of *MERALCO* were listed on the *PSE* on January 8, 1992. There are 40,060 and 40,476 common shareholders as at December 31, 2025 and 2024, respectively.

Unappropriated Retained Earnings

The unappropriated retained earnings include accumulated earnings of subsidiaries, associates and joint ventures, the balance of *MERALCO*'s revaluation increment in utility plant, generation plant and others, and investment properties carried at deemed cost, deferred tax assets and unrealized foreign exchange gains totaling to ₱107,107 million and ₱92,861 million as at December 31, 2025 and 2024, respectively. These amounts are h for dividend declaration purposes as of the close of the respective reporting period.

The following are the cash dividends declared on common shares for the for the years ended December 31, 2025, 2024 and 2023:

Declaration Date	Record Date	Payment Date	Dividend Per Share	Amount
				(In millions)
July 28, 2025	August 27, 2025	September 22, 2025	₱11.33	₱12,768
February 24, 2025	March 12, 2025	April 4, 2025	13.74	15,482
July 29, 2024	August 28, 2024	September 23, 2024	10.30	11,603
February 26, 2024	March 27, 2024	April 24, 2024	11.24	12,663
July 31, 2023	August 30, 2023	September 14, 2023	8.52	9,602
February 27, 2023	March 29, 2023	April 26, 2023	11.03	12,430

The *BOD*-approved dividend policy of *MERALCO* consists of (i) regular cash dividends equivalent to 50% of *CCNI* for the year; and (ii) special dividend determined on a "look-back" basis. Declaration and payment of special dividend are dependent on the availability of unrestricted retained earnings and free cash. The declaration, record and payment dates shall be consistent with the guidelines and regulations of the Philippine *SEC*.

Hedging Reserve

In 2024, *MERALCO* entered into various foreign exchange forwards to "lock-in" investment cost for *Chromite Holdings* which is payable in foreign currency. The foreign exchange forwards were accounted for as cashflow hedge. The changes in the fair value of the foreign exchange forwards were recorded as hedging reserve account in the consolidated statement of changes in equity and accounted for in the investment balance as of closing date.

In January 2025, the investment in *Chromite Holdings* was completed and *MERALCO* infused **$**1.187 billion into *MGen* as settlement for its share in the investment in *Chromite Holdings*. The hedging reserve gain was reclassified from *OCI* to investment account at ₱1,717 million.

In 2025, *MTerra Solar* entered into various forward exchange forwards to hedge its forecasted payments in foreign currency arising from its Engineering and Procurement Contracts related to the construction of its solar power plant. The forecasted payments depend on each supplier's milestone. The foreign exchange forwards were accounted for as cashflow hedges. The changes in the fair value of the foreign exchange forwards were recorded as hedging reserve account in the consolidated statement of changes in equity and were reclassified in the generation plant construction cost at each milestone payment date. The hedging reserve loss reclassified from *OCI* to generation plant construction cost amounted to ₱250 million.

Treasury Shares

Treasury shares represent the subscribed shares and the related rights of employees who have opted to withdraw from the Employee Stock Purchase Plan ("*ESPP*") in accordance with the provisions of the *ESPP* and which *MERALCO* purchased.

In September 2024, 6,196 unpaid shares awarded under the Employee Stock Purchase Plan ("*ESPP*") were approved by the *SEC* for conversion to treasury shares. As at December 31, 2025, the total number of treasury shares is 178,608. All of the treasury shares pertain to cancelled shares subscribed under the *ESPP*.

17. Interest-bearing Long-term Financial Liabilities

This account consists of the following:

	2025	2024
	(Amounts in millions)	
Long-term portion of interest-bearing financial liabilities – long-term debt	**₱186,531**	₱54,797
Current portion of interest-bearing financial liabilities:		
Long-term debt	**5,689**	4,231
Redeemable preferred stock	**1,459**	1,461
	7,148	5,692
	₱193,679	₱60,489

All of the redeemable preferred shares have been called as at June 30, 2011, consistent with the terms of the Preferred Shares Subscription Agreement. Accrued interests amounted to ₱248 million as at December 31, 2025 and 2024. Interest is no longer accrued from the time such preferred shares were called for redemption.

The details of interest-bearing long-term financial liabilities are as follows:

	2025	2024
	(Amounts in millions)	
MERALCO		
₱75.0 Billion Term Loan	**₱75,000**	~~₱~~ –
₱10.0 Billion Term Loan	**9,700**	9,900
12-year Puttable Bonds	**–**	2,868
MGen Group		
₱68.6 Billion Term Loan	**68,597**	–
₱18.0 Billion Term Loan	**15,300**	16,020
₱11.6 Billion Term Loan	**8,203**	9,168
₱5.8 Billion Term Loan	**3,190**	3,770
₱4.5 Billion Term Loan	**2,811**	3,188
₱3.0 Billion Term Loan	**2,564**	2,690
₱2.7 Billion Term Loan	**2,502**	2,650
₱2.0 Billion Term Loan	**2,034**	2,034
₱3.5 Billion Term Loan	**1,365**	2,045
₱791 Million Term Loan	**791**	791
₱3.4 Billion Term Loan	**762**	980
₱1.5 Billion Term Loan	**–**	152
₱2.2 Billion Term Loan	**–**	1,780
Radius		
₱700 Million Term Loan	**525**	665
₱42.4 Million Term Loan	**–**	4
MServ		
₱600 Million Term Loan	**240**	330
MIESCOR		
₱375 Million Term Loan	**134**	187
Total long-term debt	**193,718**	59,222
Less unamortized debt issue costs	**1,648**	403
	192,070	58,819
Redeemable preferred stock	**1,459**	1,461
Fair value adjustment in relation to the purchase of *GBPC*	**150**	209
	193,679	60,489
Less current portion	**7,148**	5,692
Long-term portion of interest-bearing financial liabilities	**₱186,531**	~~₱~~54,797

The scheduled maturities of the outstanding long-term debt at nominal values as at December 31, 2025 are as follows:

	Amount in millions
Less than one (1) year	₱5,505
One (1) year up to two (2) years	6,555
More than two (2) years up to three (3) years	7,496
More than three (3) years up to four (4) years	8,540
More than four (4) years up to five (5) years	7,054
More than five (5) years	158,568
	₱193,718

MERALCO

₱75.0 Billion Term Loan

MERALCO has a ₱75,000 million, 12-year floating rate loan due in January 2037. The related interest is payable quarterly. The principal is payable in nominal annual amortizations with a balloon payment upon final maturity.

₱10.0 Billion Term Loan

MERALCO has a ₱10,000 million, 10-year floating rate loan due in December 2032. The related interest is payable quarterly. The principal is payable in nominal annual amortizations with a balloon payment upon final maturity.

12-year Puttable Bonds

The 12-year Puttable Bonds represent the remaining balance of the total ₱18,000 million bonds issued in December 2013, with a put option exercisable in the 10th year. On December 13, 2023, *MERALCO* redeemed ₱4,132 million of these bonds, followed by the redemption of the remaining balance of ₱2,868 million on December 12, 2025.

MGen Group

₱68.6 Billion Term Loan

MTerra Solar has a ₱68,597 million, 15-year term loan due in March 2040. Interest rate is subject to repricing in March 2030. The principal is payable quarterly until maturity.

₱18.0 Billion Term Loan

GBPC has a ₱18,000 million, 15-year term loan due in May 2036. Interest rate is subject to repricing in May 2026. The principal is payable semi- annually until maturity.

₱11.6 Billion Term Loan

On April 28, 2022, *PEDC* obtained a ₱11,580 million, 12-year term loan due in April 2034. The principal and related interest are payable quarterly.

₱5.8 Billion Term Loan

CEDC's ₱5.8 billion Term Loan represents a restructured loan from the original project financing obligation. This restructured loan is payable semi-annually over 10 years until June 2031.

₱4.5 Billion Term Loan

This bilateral term loan with a consortium of banks was used to finance the acquisition of a 50% less one share in *ATEC* by *GBPC*. The loan is a fixed rate 12-year facility with quarterly principal repayment until November 2029.

₱3.0 Billion Term Loan

First Bulacan has a ₱3,039 million, 15-year term loan with interest repricing on November 2029 and the principal amount payable semi-annually until November 2034.

₱2.7 Billion Term Loan

PHRI has a ₱2,650 million term loan due in September 2037. The principal and related interest are payable semi-annually.

₱2.0 Billion Term Loan

On May 17, 2024, *Greenergy* secured a 15-year term project financing facility to fund the ongoing construction of its 52.7 *MWac* solar project in Cordon, Isabela. The principal and related interest are payable semi-annually until May 2039.

₱3.5 Billion Term Loan

TPC has a ₱3,500 million, 5-year term loan due in July 2027. The principal and related interest are payable quarterly.

₱791 Million Term Loan

On May 17, 2024, *GSEI* secured a 15-year term project financing facility to develop its 19.8 *MWac* solar plant in Bongabon, Nueva Ecija. The principal and related interest are payable semi-annually until May 2039.

₱3.4 Billion Term Loan

Solar Philippines Calatagan has a ₱3,400 million, 12-year term loan due in April 2029. The principal and related interest are payable semi-annually.

₱1.5 Billion Term Loan

The ₱1,500 million loan of *CEDC* was used for general financing and other corporate requirements. The principal and related interest are payable semi-annually until December 2025.

₱2.2 Billion Term Loan

Solar Philippines Tarlac has a ₱2,225 million, 12-year term loan due in July 2031. The principal and related interest are payable semi-annually. In June 2025, the loan was refinanced through a new bridge loan facility.

Radius

₱700 Million Term Loan

The ₱700 million loan of *Radius* was used to finance the expansion of the residential and Micro, Small and Medium Enterprise ("*MSME*") segment of its broadband business. The principal and related interest are payable quarterly until August 2029.

₱42.4 Million Term Loan
Radius' ₱42.4 million loan was used to finance various information technology equipment and related peripherals for projects. The principal is payable quarterly. In April 2025, the loan was paid in full.

MServ

₱600 Million Term Loan

MServ's ₱600 million 10-year fixed rate term loan is payable based on pre-agreed amortization until 2027 while interest is payable semi-annually.

MIESCOR

₱375 Million Term Loan

MIESCOR has a ₱375 million, fixed rate term loan, payable semi-annually until June 2028.

The annual interest rates of the interest-bearing financial liabilities range from 4.70% to 8.29% and 4.70% to 8.70% as at December 31, 2025 and 2024, respectively.

Debt Covenants

The terms of the *MERALCO* loans include compliance with debt service coverage of 1.1 times calculated on specific measurement dates. The agreements also contain restrictions with respect to the creation of liens or encumbrances on assets, issuance of guarantees, mergers or consolidations, disposition of a significant portion of its assets and related party transactions.

MERALCO's subsidiaries loan agreements require compliance with certain financial ratios at all times until full payment of the obligations. The restrictions also cover payment of dividends, distributions or other returns to its stockholders, additional liens on its assets, disposal of assets, incurrence of additional indebtedness, among others. *GBPC* is prohibited from entering into merger or consolidation with other corporation, unless *GBPC* is the surviving entity.

As at December 31, 2025 and 2024, the *MERALCO Group* is in compliance with all of the covenants of the loan agreements.

Interest expense on the foregoing long-term financial liabilities amounted to ₱7,129 million, ₱3,050 million and ₱3,020 million for the years ended December 31, 2025, 2024 and 2023, respectively.

Unamortized Debt Issue Costs

The following presents the changes to the unamortized debt issue costs:

	Note	**2025**	2024
		(Amounts in millions)	
Balance at beginning of year		**₱403**	₱808
Additions		**1,377**	34
Amortization charged to interest and other financial charges		**(132)**	(86)
Effect of deconsolidation of *MIDC*	*3*	**–**	(353)
Balance at end of year		**₱1,648**	₱403

Redeemable Preferred Stock

The movements in the number of shares of the redeemable preferred stock, which have all been called, are as follows:

	2025	2024
Balance at beginning of year	**146,108,911**	146,510,496
Redemptions	**(233,985)**	(401,585)
Balance at end of year	**145,874,926**	146,108,911

The original "Terms and Conditions" of *MERALCO*'s Special Stock Subscription Agreement, which required every service applicant to subscribe to preferred stock with 10% dividend to cover the cost of extension of, or new, distribution facilities, have been amended by the *Magna Carta* and the *DSOAR*, effective June 17, 2004 and January 18, 2006, respectively. The amendment sets forth the guidelines for the issuance of preferred stock, only if such instrument is available.

18. **Customers' Deposits**

This account consists of:

	2025			2024		
	Current Portion (see *Note 22*)	**Noncurrent Portion**	**Total**	Current Portion (see *Note 22*)	Noncurrent Portion	Total
			(Amounts in millions)			
Bill deposits	**₱2,482**	**₱39,206**	**₱41,688**	₱2,493	₱33,274	₱35,767
Meter deposits	**318**	**–**	**318**	317	–	317
	₱2,800	**₱39,206**	**₱42,006**	₱2,810	₱33,274	₱36,084

Bill Deposits

Bill deposits serve to guarantee payment of bills by a customer.

As provided in the *Magna Carta* and *DSOAR*, all captive customers of the *DU* are required to pay a deposit, equivalent to the estimated monthly bill calculated based on applied load. Such deposit shall be updated annually based on the historical 12-month average bill. A captive customer who has paid his electric bills on or before due date for three (3) consecutive years may apply for the full refund of the bill deposit, together with the accrued interests, prior to the termination of his service; otherwise bill deposits and accrued interests shall be refunded within one (1) month from the termination of service, provided all bills have been paid.

Under the amended *DSOAR,* interest on bill deposits for both residential and non-residential customers shall be computed using the equivalent peso savings account interest rate of the Land Bank of the Philippines ("*Land Bank*") or other government banks, on the first working day of the year, subject to the confirmation by the *ERC.*

Under *ERC* Resolution No. 3, Series of 2026, the rules on bill deposits were simplified to make electricity service more accessible and consumer-friendly. *DU*s may now waive bill deposits or accept alternative guarantees. Deposits for new connections are capped at one month's estimated billing, payable in three installments. Consumers who receive a 100% lifeline discount under *RA* 11552 are fully exempt from paying any bill deposit. *DU*s must also notify consumers before increasing deposits and automatically credit any excess deposits to their bills. Finally, bill deposits must be automatically refunded with interest to lifeline beneficiaries and to consumers who have two years of on-time payments, with refunds applied directly to their monthly bills.

On January 24, 2025, *MERALCO* received an *SC* Decision dated October 8, 2024 dismissing a Petition, which prayed to declare the provisions for bill deposits in the Magna Carta, as illegal and void and that *MERALCO* and other *DU*s be permanently prohibited from imposing and collecting bill deposit from captive customers.

The following are the movements of the bill deposits account:

	Note	**2025**	2024
		(Amounts in millions)	
Balance at beginning of year		**₱35,767**	₱36,591
Additions		**13,259**	8,311
Refunds		**(7,338)**	(9,135)
Balance at end of year		**41,688**	35,767
Less portion maturing within one year	*22*	**2,482**	2,493
Noncurrent portion of bill deposits and related interests		**₱39,206**	₱33,274

Interest expense on bill deposits amounted to ₱25 million, ₱22 million and ₱22 million for the years ended December 31, 2025, 2024 and 2023, respectively.

Under *ERC* Resolution No. 03, Series of 2026, the *ERC* introduced amendments to the Magna Carta. With respect to bill deposits, the rules were updated to introduce automatic bill deposit refunds for (a) consumers who qualify for a 100% lifeline discount and (b) customers who have made timely payments for two consecutive years. New applicants may also pay required bill deposits in full or three (3) monthly installments and *DU*s may waive or provide alternatives to bill deposits.

In addition, under its Advisory dated January 31, 2026, the *ERC* directed all *DU*s to submit detailed information regarding its bill deposits within thirty (30) days, or until March 1, 2026. As at February 25, 2026, *MERALCO* is preparing the information required by the *ERC*.

Meter Deposits

Meter deposits were intended to guarantee the cost of meters installed.

Following the effectivity of the *Magna Carta* (for residential customers) and *DSOAR* (for non-residential customers), all customers are exempt from payment of meter deposits.

MERALCO deposited the amount equivalent to the unclaimed meter deposits in a single savings account in compliance with the *ERC* order in 2016.

19. Provisions

The movements of the provisions account follow:

	Note	**2025**	2024
		(Amounts in millions)	
Balance at beginning of year		**₱65,493**	₱71,669
Provisions (reversal of provisions) for the year – net		**12,167**	8,470
Settlements		**(5,158)**	(309)
Reclassifications	*22*	**(8,988)**	(14,337)
Balance at end of year		**63,514**	65,493
Less current portion	*22*	**51,179**	55,638
Noncurrent portion of provisions		**₱12,335**	₱9,855

Provisions represent estimated amount of over-recoveries and claims or losses related to commercial arrangements with unresolved terms and local/national tax assessments being contested as discussed

in *Note 29 – Contingencies and Legal Proceedings.* Information provided is consistent with the limited disclosure provision as allowed in *PFRS* Accounting Standards.

MERALCO recognized provisions over-recoveries. The movements in and the balance of the "Other noncurrent liabilities" and "Trade payables and other current liabilities" accounts in the consolidated statements of financial position include these. *MERALCO* recognized a net reversal of provisions included in "Other noncurrent liabilities" amounting to ₱8,228 million and net provisions amounting to ₱8,607 million for the years ended December 31, 2025 and 2024, respectively.

See *Note 2 Rate Regulations*.

20. Customers' Refund

This account represents the balance of the refund related to the *SC* decision promulgated on April 30, 2003, which is continuously being refunded based on documents presented by qualified claimants. The unclaimed amount is deposited in a separate interest-bearing bank account.

MERALCO implemented the *SC* ruling which ordered the refund of ₱0.167 per *kWh* for billings made from February 1994 to April 2003 in four (4) phases. Even while the refund period ended, *MERALCO* continues to process refunds as the eligible customers present their required supporting documents. The refund shall continue until the *ERC* orders otherwise.

See *Note 2 – Rate Regulations*.

21. Notes Payable

Notes payable represent unsecured interest-bearing working capital loans obtained from local banks and which are due within one (1) year. Annual interest rates were up to 6.31% and 6.94% as at December 31, 2025 and 2024, respectively.

Interest expense on notes payable amounted to ₱1,504 million, ₱1,409 million and ₱1,282 million for the years ended December 31, 2025, 2024 and 2023, respectively.

22. Trade Payables and Other Current Liabilities

This account consists of the following:

	Note	**2025**	2024
		(Amounts in millions)	
Trade accounts payable	*23 and 24*	**₱90,525**	₱69,177
Accrued expenses:			
Employee benefits		**4,664**	3,627
Services		**3,255**	4,331
Interest	*17*	**1,459**	903
Others		**2,845**	2,096
Current portions of:			
Provisions	*2, 19 and 29*	**51,179**	55,638
Bill deposits and related interests	*18*	**2,482**	2,493
Deferred income		**499**	632

	Note	**2025**	2024
		(Amounts in millions)	
Meter deposits and related interests	*18*	**318**	317
Refundable service extension costs		**1,017**	1,457
Dividends payable on:			
Common stock	*16*	**4,195**	3,662
Redeemable preferred stock	*17*	**248**	248
Payables to customers		**11,817**	10,636
Taxes		**10,102**	13,047
Liabilities related to Put Option and Investment Agreement	*3 and 8*	**7,545**	9,506
Universal charges payable	*32*	**3,439**	3,048
FiT-All payable	*32*	**1,393**	683
Payroll related remittances		**474**	669
Regulatory fees payable		**₱412**	₱394
Lease liability		**175**	102
Derivative liability	*16 and 27*	**–**	961
Other current liabilities		**1,577**	7,845
		₱199,620	₱191,472

Trade Accounts Payable

Trade accounts payable are mainly obligations to power generating companies, *NGCP* and *IEMOP* for costs of power purchased and transmission services. In addition, this account includes liabilities due to local and foreign suppliers for purchases of goods and services, consisting of transformers, poles, coal, materials and supplies, and contracted services, among others.

Trade payables are non-interest-bearing and are generally settled within 15 to 30 days from the receipt of invoice. Other payables are non-interest-bearing and due within one (1) year from incurrence.

See *Note 23 – Related Party Transactions, Note 24 – Revenue and Purchased Power* and *Note 30 – Significant Contracts and Commitments.*

Taxes

Taxes represent pass-through *VAT*, output *VAT*, withholding taxes and energy taxes payable. Pass-through *VAT* pertains to *VAT* on generation and transmission costs billed to the *DU*, which are in turn billed to the customers. Remittance of such pass-through *VAT* to the generation companies is based on collection of billed receivables from the customers.

Refundable Service Extension Costs

Article 14 of the *Magna Carta*, specifically, “Right to Extension of Lines and Facilities”, requires a customer requesting for an extension of lines and facilities beyond 30-meter service distance from the nearest voltage facilities of the *DU* to advance the cost of the project. The amended *DSOAR*, which became effective April 1, 2010, requires such advances from customers to be refunded at the rate of 75% of the distribution revenue generated from the extension lines and facilities until such amounts are fully refunded. The related asset shall form part of the rate base only as the refund is paid out. Customer advances are non-interest-bearing.

As at December 31, 2025 and 2024, the noncurrent portion of refundable service extension costs of ₱3,371 million and ₱3,753 million, respectively, is presented as "Refundable service extension costs - net of current portion" account in the consolidated statements of financial position.

Universal Charges Payable

Universal charges are amounts passed on and collected from customers on a monthly basis by *PSALM* through the *DU*s. These are charges imposed to recover stranded debts, stranded contract costs of National Power Corporation ("*NPC*"), stranded contract costs of eligible contracts of *DU*s, missionary electrification and environment charges. *DU*s remit collections monthly to *PSALM* who administers the fund generated from universal charges and disburses the said funds in accordance with the intended purposes.

Payables to Customers

Payables to customers include bill credits and advance payments received from customers that are applied to their current consumption.

23. Related Party Transactions

The *MERALCO Group* has approval process and limits with respect to the amounts and extent of related party transactions.

The following summarizes the nature of transactions, which have been provided to and/or contracted by the *MERALCO Group* to/with related parties for the relevant period. The outstanding balances are unsecured, non-interest-bearing and settled in cash.

Pole Attachment Contract with PLDT

MERALCO has a pole attachment contract with *PLDT* similar to pole attachment contracts of *MERALCO* with third parties/ telecommunication companies. Under the pole attachment contract, *PLDT* shall use the contracted cable positions exclusively for its telecommunication cable network facilities.

Sale of Electricity under Various Service Contracts

MERALCO and *Clark Electric* sells electricity to its subsidiaries, associates, joint ventures and related party shareholder groups with operations within the franchise area, namely, *PLDT*, *Metro Pacific* and *JG Summit* and their respective subsidiaries and affiliates. The rates charged to related parties as captive customers are the same *ERC*-mandated rates applicable to all captive customers within the franchise area. The rates charged by *RES* to related parties as contestable customers are offered based on the same rate model for other contestable customers.

Purchase of Telecommunication Services from PLDT and Subsidiaries

The *MERALCO Group*'s telecommunications carriers include *PLDT* for its wireline and Smart Communications, Inc. for its fixed and wireless services. Such services are covered by standard service contracts between the telecommunications carriers and each legal entity within the *MERALCO Group*.

Lease Agreement with Robinsons Land Corporation ("RLC")

MERALCO has various lease agreements with *RLC* for its temporary office premises until January 2024.

Purchase of Goods and Services

In the ordinary course of business, the *MERALCO Group* purchases goods and services from its affiliates and sells power and renders services to such affiliates.

PSAs

As discussed in Note 30, *MERALCO* has long-term *PSAs* with *MTerra Solar*, *SPPC*, *EERI*, *SBPL*, *NSEC*, *First Bulacan,* and *Solar Philippines Tarlac.*

Following is a summary of related party transactions in 2025, 2024 and 2023 and the outstanding balances as at December 31, 2025 and 2024:

	Amount of Transactions			Outstanding Receivable (Liability)			
Category	**2025**	2024	2023	**2025**	2024	Terms	Conditions
	(Amounts in millions)						
Sale of electricity:							
JG Summit Group	**₱5,081**	₱4,004	₱4,372	**₱870**	₱951	10-days; noninterest-bearing	Unsecured, no impairment
PLDT Group	**797**	1,073	1,405	**34**	49	10-days; noninterest-bearing	Unsecured, no impairment
Metro Pacific Group	**510**	573	566	**44**	45	10-days; noninterest-bearing	Unsecured, no impairment
Purchases of IT services - *Indra Philippines*	**1,253**	1,081	1,012	**(79)**	(282)	30-days; noninterest-bearing	Unsecured
Purchases of meters and devices – *Aclara Meters*	**429**	169	246	**(41)**	(2)	30-days; noninterest-bearing	Unsecured
(Forward)							
Purchases of medical services - *Colinas Verdes Hospital Managers*	**295**	252	204	**(12)**	(1)	30-days; noninterest-bearing	Unsecured
Revenue from pole attachment - *PLDT*	**733**	687	688	**34**	14	Advance payment	Unsecured, no impairment
Lease of office premises – *RLC*	**–**	12	107	**–**	–	30-days; noninterest-bearing	Unsecured
Purchases of wireline and wireless services - *PLDT Group*	**119**	122	96	**(5)**	(15)	30-days; noninterest-bearing	Unsecured
Purchases of insurance premium - *MPioneer*	**363**	490	470	**(7)**	(14)	30-days; noninterest-bearing	Unsecured
Donations to One Meralco Foundation	**141**	65	94	**–**	–	None	None

Category	Amount of Transactions			Outstanding Receivable (Liability)		Terms	Conditions
	2025	2024	2023	**2025**	2024		
	(Amounts in millions)						
Purchases of power:							
*SPPC**	**62,133**	–	–	**(12,270)**	–	30-days; noninterest-bearing	Unsecured
*EERI**	**51,484**	–	–	**(13,170)**	–	30-days; noninterest-bearing	Unsecured
SBPL	**17,112**	19,916	24,837	**(1,220)**	(1,223)	30-days; noninterest-bearing	Unsecured
Solar Philippines Tarlac	**493**	465	–	**(95)**	(69)	30-days; noninterest-bearing	Unsecured
NSEC	**436**	451	263	**(34)**	(35)	30-days; noninterest-bearing	Unsecured

**SPPC and EERI became related parties following Chromite Holdings acquisition of 67% stake in both companies in January 2025.*

Transaction with MERALCO Retirement Benefits Fund ("*Retirement Fund*")

MERALCO's Retirement *Fund* holds 6,000 common shares of *RP Energy* at par value of ₱100 per share, with total carrying amount of ₱600,000 or an equivalent 3% equity interest in *RP Energy*. The fair value of *RP Energy*'s common shares cannot be reliably measured as these are not traded in the financial market. As at December 31, 2025 and 2024, the fair value of the total assets being managed by the *Fund* amounted to ₱29.6 billion and ₱30.3 billion, respectively.

See *Note 26 – Long-Term Employee Benefits.*

Compensation of Key Management Personnel

The compensation of key management personnel of the *MERALCO Group* by benefit type is as follows:

	2025	2024	2023
		(Amounts in millions)	
Short-term employee benefits	**₱1,125**	₱861	₱755
Long-term employee incentives and retirement benefits	**512**	368	374
Total compensation to key management personnel	**₱1,637**	₱1,229	₱1,129

All directors are entitled to a reasonable per diem for their attendance in meetings of the *BOD* and Board Committees plus an additional compensation, provided that the total value of such additional compensation, in whatever form so given, shall not exceed one (1) percent of the income before income tax of *MERALCO* during the preceding period.

Each of the directors is entitled to a per diem of ₱140,000 for every *BOD* meeting attended. Each member of the Audit, Risk Management, Remuneration and Leadership Development, Finance, Related Party Transactions and Nomination and Governance Committees is entitled to a fee of ₱24,000 for every committee meeting attended. Also, the members of the *BOD* are entitled to a stock

grant based on a pre-approved number of shares for each director which was implemented beginning May 2013 as approved by the stockholders. The directors have the option to receive the number of shares granted or the equivalent cash value. On May 27, 2025, the *MERALCO*'s stockholders approved a revised per diem rate applicable to each director for every board and board committee meeting attended. Effective June 1, 2025, each of the directors is entitled to a per diem of ₱200,000 for every *BOD* meeting attended and each member of the Audit, Risk Management, Remuneration and Leadership Development, Finance, Related Party Transactions and Nomination and Governance Committees is entitled to a fee of ₱50,000 for every committee meeting attended.

As at December 31, 2025, there are no agreements between the *MERALCO Group* and any of its key management personnel providing for benefits upon termination of employment or retirement, except with respect to benefits provided under (i) a defined benefit retirement plan, (ii) a program which aims to address capability refresh and organizational optimization requirements, and (iii) a contributory provident plan. Post-retirement benefits under the defined benefit retirement plan cover employees hired up to December 31, 2003 only. The provident plan, which is implemented on a voluntary basis, covers employees hired beginning January 1, 2004.

24. **Revenues and Purchased Power**

Revenues

The *MERALCO Group* disaggregates its revenue information in the same manner as it reports its segment information.

See *Note 6 – Segment Information.*

Contract Assets and Contract Liabilities

The *MERALCO Group*'s contract balances are as follows:

	Note	**2025**	2024
		(Amounts in millions)	
Contract assets:			
Unbilled receivables	*13*	**₱3,983**	₱3,387
Under-recoveries of pass-through charges - net	*11*	**10,535**	17,666
Contract liabilities:			
Non-refundable liability related to asset funded by customers		**946**	949
Over-recoveries from transmission, lifeline subsidy and *SL* charges - net		**374**	375

Income recognized from the non-refundable liability related to assets funded by customers amounted to ₱168 million, ₱155 million and ₱147 million for the years ended December 31, 2025, 2024 and 2023, respectively.

Purchased Power

The details of purchased power are as follows:

	2025	2024	2023
		(Amounts in millions)	
Generation costs	**₱321,491**	₱301,369	₱292,968
Transmission costs	**55,793**	45,165	35,280
	₱377,284	₱346,534	₱328,248

Purchased power costs for the captive customers are pass-through costs and are revenue-neutral to *MERALCO, Clark Electric* and *Shin Clark Power,* as *DU*s.

Generation costs include any line rentals, market fees and must-run unit charges billed by *IEMOP*.

The details of purchased power follow:

	2025	2024	2023
		(Amounts in millions)	
South Premiere Power Corporation ("*SPPC*")	**₱62,133**	₱56,649	₱36,807
NGCP	**55,851**	45,212	35,319
EERI	**51,484**	–	–
First Gas Power Corporation ("*FGPC*")	**50,418**	50,114	46,789
FGP Corp. ("*FGP*")	**26,438**	25,162	23,490
IEMOP	**26,116**	65,294	57,420
Masinloc Power Partners Co. Ltd. ("*MPPCL*")	**20,720**	14,327	10,991
Sual Power Inc. ("*SPI*")	**20,085**	14,801	14,603
SBPL	**17,112**	19,916	24,837
GNPower Dinginin ("*GNPD*")	**13,604**	–	–
QPPL	**9,223**	21,550	24,126
Mariveles Power Generation Corporation ("*MPGC*")	**6,793**	–	–
RE Resources, Inc. ("*RERI*")	**3,299**	–	–
Limay Power Inc. ("*LPI*")	**2,570**	7,070	–
First NatGas Power Corp. ("*FNPC*")	**1,134**	2,459	15,218
Southwest Luzon Power Generation Corporation	**941**	3,289	3,385
Therma Luzon, Inc. ("*TLI*")	**655**	5,067	15,850
Sem-Calaca Power Corporation ("*Sem-Calaca*")	**628**	620	633
Solar Philippines Tarlac	**493**	465	418
NSEC	**436**	451	263
AC Energy Philippines, Inc. ("*AC Energy*")	**–**	9,016	10,586
Energy Development Corporation ("*EDC*")	**–**	2,242	2,398
Others	**7,151**	2,830	5,115
	₱377,284	₱346,534	₱328,248

Generation and transmission costs are net of company use amounting to ₱581 million, ₱526 million and ₱503 million for the years ended December 31, 2025, 2024 and 2023, respectively.

Generation and transmission costs over- or under-recoveries result from the lag in the billing and recovery of generation and transmission costs from consumers. As at December 31, 2025 and 2024, the total transmission costs and *SL* charge over-recoveries included in "Other noncurrent liabilities"

account in the consolidated statements of financial position amounted to ₱287 million and ₱216 million, respectively.

25. Expenses

Salaries, Wages and Employee Benefits

	Note	**2025**	2024	2023
			(Amounts in millions)	
Salaries, wages and related employee benefits		**₱17,743**	₱16,306	₱15,341
Retirement benefits	*26*	**1,851**	1,552	1,075
Other post-employment benefits	26	**151**	116	105
		₱19,745	₱17,974	₱16,521

Depreciation and Amortization

	Note	**2025**	2024	2023
			(Amounts in millions)	
Utility plant, generation plant and others	*7*	**₱15,566**	₱15,542	₱14,770
Intangible assets	*10*	**1,464**	1,983	1,851
Investment properties	*9*	**4**	4	4
		₱17,034	₱17,529	₱16,625

Other Expenses

	Note	**2025**	2024	2023
			(Amounts in millions)	
Materials used	*14*	**₱3,499**	₱2,965	₱3,086
Rent and utilities		**1,550**	1,773	1,661
Transportation and travel		**352**	699	620
Insurance		**502**	552	565
Advertising		**445**	418	337
Donations		**319**	224	375
Communication	*23*	**223**	209	204
Others		**1,438**	2,690	778
		₱8,328	₱9,530	₱7,626

26. Long-term Employee Benefits

Liabilities for long-term employee benefits consist of the following:

	2025	2024
	(Amounts in millions)	
Retirement benefits liability	**₱11,002**	₱11,134
Long-term incentives	**4,306**	2,874
Other post-employment benefits	**2,557**	2,255
	17,865	16,263
Less current portion	**4,300**	–
	₱13,565	₱16,263

Defined Benefit Retirement Plans

The features of the *MERALCO Group*'s defined benefit plans are discussed in *Note 4 – Material Accounting Policies, Changes and Improvements.*

Actuarial valuations are prepared annually by the respective independent actuaries engaged by *MERALCO* and its subsidiaries.

Expense recognized for defined benefit plans (included in "Salaries, wages and employee benefits" account in the consolidated statements of income)

	2025	2024	2023
		(Amounts in millions)	
Current service costs	**₱1,084**	₱1,039	₱911
Net interest costs	**683**	437	95
Net retirement benefits expense	**₱1,767**	₱1,476	₱1,006

Retirement Benefits Liability

	2025	2024
	(Amounts in millions)	
Defined benefit obligation	**₱40,606**	₱41,420
Fair value of plan assets	**(29,604)**	(30,286)
Net retirement benefits liability	**₱11,002**	₱11,134

Changes in the net retirement benefits liability are as follows:

	2025	2024
	(Amounts in millions)	
Retirement benefits liability at beginning of year	**₱11,134**	₱7,177
Net retirement benefits expense	**1,767**	1,476
Amounts recognized in *OCI*	**(1,749)**	2,707
Contributions by employer	**(150)**	(226)
Net retirement benefits liability at end of year	**₱11,002**	₱11,134

Changes in the present value of the defined benefits obligation are as follows:

	2025	2024
	(Amounts in millions)	
Defined benefit obligation at beginning of year	**₱41,420**	₱38,029
Interest costs	**2,310**	2,112
Current service costs	**1,084**	1,039
Benefits paid	**(2,807)**	(2,827)
Actuarial losses (gains) due to:		
Changes in financial assumptions	**(970)**	(145)
Experience adjustments	**(431)**	3,212
Defined benefit obligation at end of year	**₱40,606**	₱41,420

Changes in the fair value of plan assets are as follows:

	2025	2024
	(Amounts in millions)	
Fair value of plan assets at beginning of year	**₱30,286**	₱30,852
Interest income	**1,627**	1,675
Contributions by employer	**150**	226
Return on plan assets, excluding amount included in net interest on the net defined benefit obligation and interest income	**348**	360
Benefits paid	**(2,807)**	(2,827)
Fair value of plan assets at end of year	**₱29,604**	₱30,286

The Board of Trustees ("*BoT*") of the *Retirement Fund* is chaired by the Chairman of *MERALCO*, who is neither an executive nor a beneficiary. The other members of the *BoT* are (i) an executive member of the *BOD*; (ii) two (2) senior executives; (iii) an independent member of the *BOD*; and (iv) a member of the *BOD* who represents the largest shareholder group, none of whom are beneficiaries of the plan.

The *Retirement Fund* follows a conservative approach of investing in fixed income, money market and equity assets to diversify the portfolio in order to minimize risk while maintaining an adequate rate of return. The assets of the *Retirement Fund* are managed by four (4) local and one (1) foreign trustee banks whose common objective is to maximize the long-term expected return of plan assets. The *BoT* reviews and approves the strategic mandate of the portfolio to ensure the ability of the *Retirement Fund* to service its short-term and long-term obligations.

The major categories of plan assets are as follows:

	2025	2024
	(Amount in millions)	
Investments quoted in active markets:		
Government securities	**₱9,336**	₱10,478
Bonds and commercial notes	**8,200**	8,066
Marketable equity securities	**7,338**	7,626
Receivables	**2,016**	1,744
Real property	**1,927**	1,927
Cash and cash equivalents	**787**	445
Fair value of plan assets	**₱29,604**	₱30,286

Marketable equity securities, government securities, bonds and commercial notes are investments held by the trustee banks.

Other Long-term Post-employment Benefits (included as part of "Salaries, wages and employee benefits" account in the consolidated statements of income)

	2025	2024	2023
		(Amounts in millions)	
Interest costs	**₱133**	₱100	₱94
Current service costs	**18**	16	11
	₱151	₱116	₱105

Other Long-term Post-employment Benefits Liability

Changes in the present value of other long-term post-employment benefits liability are as follows:

	2025	2024
	(Amounts in millions)	
Balance at beginning of year	**₱2,255**	₱1,646
Interest costs	**133**	100
Current service costs	**18**	16
Benefits paid	**(161)**	(101)
Actuarial losses due to change in assumptions	**312**	594
Balance at end of year	**₱2,557**	₱2,255

Actuarial Assumptions

The principal assumptions used in determining retirement benefits and other long-term post-employment benefits obligations are shown below:

	2025	2024
Annual discount rate	**6.00%-6.61%**	6.09%-6.11%
Future range of annual salary increases	**4.00%-10.00%**	4.00%-11.00%

Sensitivity Analysis

The sensitivity analysis below has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting year. The calculation of the defined benefit obligation is sensitive to the assumptions set above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting year would have increased (decreased) as a result of a change in the respective assumptions, keeping all other assumptions constant. There have been no changes in the method and assumptions used in the sensitivity analysis from prior year.

The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

		Effect on Present Value of Defined Benefit Obligation	
	% Change	**2025**	2024
		(Amounts in millions)	
Annual discount rate	+1.0%	**(₱3,519)**	(₱3,734)
	-1.0%	**4,119**	4,394
Future range of annual salary increases	+1.0%	**1,209**	1,363
	-1.0%	**(1,075)**	(1,207)

Funding

MERALCO contributes to the *Retirement Fund* from time to time such amounts of money required under accepted actuarial principles to maintain the *Retirement Fund* in a sound condition, subject to the provisions of the *Plan*.

The amount of the annual contributions to the *Retirement Fund* is determined through an annual valuation report performed by an independent actuary.

The following is the maturity profile of the undiscounted benefit obligation (amounts in millions):

Less than one (1) year	₱3,759
One (1) year up to five (5) years	14,986
More than five (5) years up to 10 years	18,074
More than 10 years up to 15 years	21,928
More than 15 years up to 20 years	22,042
More than 20 years	52,254

Risk

The *Retirement Fund* is exposed to the following risks:

Credit Risk
The *Retirement Fund*'s exposure to credit risk arises from its financial assets which comprise of cash and cash equivalents, investments and receivables. The credit risk results from the possible default of the issuer of the financial instrument, with a maximum exposure equivalent to the carrying amounts of the instruments.

The credit risk is minimized by ensuring that the exposure to the various chosen financial investment structures is limited primarily to government securities and bonds or notes duly recommended by the Trust Committees of the appointed fund managers of the *Retirement Fund*.

Share Price Risk
The *Retirement Fund*'s exposure to share price risk arises from the shares of stock it holds and are traded at the *PSE*. The share price risk emanates from the volatility of the stock market.

The policy is to limit investment in shares of stock to blue chip issues or issues with good fair values or those trading at a discount to its net asset value so that in the event of a market downturn, the *Retirement Fund* may still consider to hold on to such investments until the market recovers.

By having a balanced composition of holdings in the equities portfolio, exposure to industry or sector-related risks is reduced. The mix of various equities in the portfolio reduces volatility and contributes to a more stable return over time. Equity investments are made within the parameters of the investment guidelines approved by the *BoT*. The *BoT* also meets periodically to review the investment portfolio based on financial market conditions. Share prices are also monitored regularly.

Liquidity Risk
Liquidity risk is the risk that the *Retirement Fund* is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn. Liquidity risk is being managed to ensure that adequate fixed income and cash deposits are available to service the financial obligations of the *Retirement Fund*. The schedule of the maturities of fixed income investment assets are staggered by tenure or term. Policies are established to ensure that all financial obligations are met, wherein the timing of the maturities of fixed income investments are planned and matched to the due date of various obligations. Thus, for this investment class, maturities are classified into short-, medium- and long-term. A certain percentage of the portfolio is kept as cash to manage liquidity and settle all currently maturing financial obligations.

Defined Contribution Provident Plan

MERALCO has a defined contributory Provident Plan effective January 1, 2009, intended to be a supplemental retirement benefit for employees hired beginning 2004, the participation of which is voluntary. Each qualified employee-member who chooses to participate in the plan shall have the option to contribute up to a maximum of 25% of his base salary. *MERALCO* shall match the member's contribution up to 100% of employee's contribution or 10% of the member's monthly base salary, subject to a certain threshold. Upon resignation, the member shall be entitled to the total amount credited to his personal retirement account immediately preceding his actual retirement date, subject to provisions of the Provident Plan. *MERALCO*'s contribution to the Provident Plan amounted to ₱84 million, ₱76 million and ₱69 million for the years ended December 31, 2025, 2024 and 2023, respectively.

Consolidated Retirement Benefits Cost (included in "Salaries, wages and employee benefits" account in the consolidated statements of income)

	2025	2024	2023
		(Amounts in millions)	
Expense recognized for defined benefit plans	**₱1,767**	₱1,476	₱1,006
Expense recognized for defined contribution plan	**84**	76	69
Retirement benefits expense	**₱1,851**	₱1,552	₱1,075

Long-term Incentive Plan (“*LTIP*”)

MERALCO’s *LTIP* covers qualified employees and is based on *MERALCO Group*’s achievement of specified metrics approved by the *BOD* and determined on an aggregate basis for a three (3)-year period as well as employees’ attainment of a minimum level of performance rating. Employees invited to *LTIP* must serve a minimum uninterrupted period to be entitled to an award. Further, the employee should be on active employment at the time of pay-out.

27. Financial Assets and Financial Liabilities

Financial assets consist of cash and cash equivalents, short-term investments and trade and other receivables, which are generated directly from operations, advance payments to a supplier, financial assets at *FVOCI* and debt securities at amortized cost. The principal financial liabilities consist of bank loans, redeemable preferred shares, trade and nontrade payables, which are incurred to finance operations in the normal course of business. Accounting policies related to financial assets and financial liabilities are set out in *Note 4 – Material Accounting Policies, Changes and Improvements*.

The following table sets forth the financial assets and financial liabilities:

	Financial Assets at Amortized Cost	*FVOCI* Financial Assets	Liabilities Carried at Amortized Cost	Total Financial Assets and Liabilities
		(Amounts in millions)		
Assets as at December 31, 2025				
Noncurrent				
Other noncurrent assets	**₱1,088**	**₱3,231**	**₱–**	**₱4,319**
Current				
Cash and cash equivalents	**109,317**	**–**	**–**	**109,317**
Trade and other receivables	**68,606**	**–**	**–**	**68,606**
Other current assets	**140**	**524**	**–**	**664**
Total Financial Assets	**₱179,151**	**₱3,755**	**₱–**	**₱182,906**
Liabilities as at December 31, 2025				
Noncurrent				
Interest-bearing long-term financial liabilities - net of current portion	**₱–**	**₱–**	**₱186,531**	**₱186,531**
Customers’ deposits - net of current portion	**–**	**–**	**39,206**	**39,206**
Refundable service extension costs - net of current portion	**–**	**–**	**3,371**	**3,371**
Current				
Notes payable	**–**	**–**	**36,367**	**36,367**
Trade payables and other current liabilities	**–**	**–**	**122,492**	**122,492**
Customers’ refund	**–**	**–**	**2,851**	**2,851**
Current portion of interest-bearing long-term financial liabilities	**–**	**–**	**7,148**	**7,148**
Total Financial Liabilities	**₱–**	**₱–**	**₱397,966**	**₱397,966**

	Financial Assets at Amortized Cost	*FVOCI* Financial Assets	Liabilities Carried at Amortized Cost	Total Financial Assets and Liabilities
		(Amounts in millions)		
Assets as at December 31, 2024				
Noncurrent				
Other noncurrent assets	₱1,091	₱4,407	₱–	₱5,498
Current				
Cash and cash equivalents	84,480	–	–	84,480
Trade and other receivables	61,335	–	–	61,335
Other current assets	9,032	–	–	9,032
Total Financial Assets	₱155,938	₱4,407	₱–	₱160,345
Liabilities as at December 31, 2024				
Noncurrent				
Interest-bearing long-term financial liabilities - net of current portion	₱–	₱–	₱54,797	₱54,797
Customers' deposits - net of current portion	–	–	33,274	33,274
Refundable service extension costs - net of current portion	–	–	3,753	3,753
Current				
Notes payable	–	–	34,287	34,287
Trade payables and other current liabilities	–	–	100,396	100,396
Customers' refund	–	–	2,853	2,853
Current portion of interest-bearing long-term financial liabilities	–	–	5,692	5,692
Total Financial Liabilities	₱–	₱–	₱235,052	₱235,052

Fair Values

The fair values of the financial assets and financial liabilities are amounts that would be received to sell the financial assets or paid to transfer the financial liabilities in orderly transactions between market participants at the measurement date. Set out below is a comparison of carrying amounts and fair values of the *MERALCO Group*'s financial instruments:

	2025		2024	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(Amounts in millions)		
Financial assets				
Debt securities at amortized cost	**₱1,088**	**₱1,088**	₱9,905	₱9,520
Financial assets at *FVOCI*	**3,231**	**3,231**	4,407	4,407
Short-term investments	**140**	**140**	12	12
Financial assets at amortized cost - Advance payments to a supplier	**–**	**–**	206	206
	₱4,459	**₱4,459**	₱14,530	₱14,145
Financial liabilities				
Financial liabilities carried at amortized cost - Interest-bearing-long-term financial liabilities	**₱192,220**	**₱196,407**	₱59,028	₱60,348

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value.

Cash and Cash Equivalents, Trade and Other Receivables, Short-term Investments, Trade Payables and Other Current Liabilities and Notes Payable

Due to the short-term nature of transactions, the fair values of these instruments approximate their carrying amounts as at reporting date.

Financial Assets at FVOCI

The fair values were determined by reference to market bid quotes as at reporting date.

Debt Securities at Amortized Cost

The fair values were determined by discounting the expected future cash flows using the interest rate as at reporting date.

Meter Deposits and Customers' Refund

Meter deposits and customers' refund are due and demandable. Thus, the fair values of these instruments approximate their carrying amounts.

Bill Deposits

The carrying amounts of bill deposits approximate their fair values as bill deposits are interest-bearing.

Interest-bearing Long-term Financial Liabilities

The fair values of interest-bearing long-term debt (except for redeemable preferred stock) were computed by discounting the instruments' expected future cash flows using the rates ranging from 4.93% to 6.15% and 5.80% to 6.03% as at December 31, 2025 and 2024, respectively.

Redeemable Preferred Stock

The carrying amount of the preferred stock represents the fair value. Such preferred shares have been called and are payable anytime upon presentation by the shareholder of their certification. This is included under "Interest-bearing long-term financial liabilities" account.

Refundable Service Extension Costs

The fair values of refundable service extension costs cannot be reliably measured since the timing of related cash flows cannot be reasonably estimated and are accordingly measured at cost.

Fair Value Hierarchy

Below is the list of financial assets and financial liabilities that are classified using the fair value hierarchy:

	2025				2024			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
				(Amounts in millions)				
Financial assets								
Financial assets at *FVOCI*	**₱3,231**	**₱–**	**₱–**	**₱3,231**	₱4,407	₱–	₱–	₱4,407
Debt securities at amortized cost	**1,088**	**–**	**–**	**1,088**	9,520	–	–	9,520
Short-term investments	**–**	**–**	**140**	**140**	–	–	12	12
Advance payments to a supplier	**–**	**–**	**–**	**–**	–	206	–	206
	₱4,319	**₱–**	**₱140**	**₱4,459**	₱13,927	₱206	₱12	₱14,145
Financial liabilities								
Interest-bearing long-term financial liabilities	**₱–**	**₱196,407**	**₱–**	**₱196,407**	₱–	₱60,348	₱–	₱60,348

For the years ended December 31, 2025, 2024 and 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Financial Risk Management Objectives and Policies

The main risks arising from the financial instruments are interest rate risk, foreign currency risk, commodity price risk, credit risk, and liquidity risk. The importance of managing these risks has significantly increased in light of the considerable change and volatility in the Philippine and international financial markets. The *BOD* reviews and approves policies for managing each of these risks. Management monitors the market price risk arising from all financial instruments. The policies for managing these risks are as follows:

Interest Rate Risk

The *MERALCO Group*'s exposure to the changes in market interest rates relate to changes of fair value of its long-term financial assets and to the fluctuation of future cash flows in relation to its long-term interest-bearing financial liabilities.

MERALCO's policy is to manage its interest rate risk exposure using a mix of fixed and variable rate debts. The strategy, which yields a reasonably lower effective cost based on market conditions, is adopted. Refinancing of fixed rate loans may also be undertaken to manage interest cost.

The exposure of *MERALCO* and its subsidiaries to the risk of changes in market interest rate relates primarily to its long-term debt obligations with variable interest rates. *MERALCO* and its subsidiaries' loans which bear fixed interest rates are subject to repricing after a minimum of quarterly for *PEDC*, one (1) year for *MERALCO* and *Radius*, three (3) years for *PHRI*, *GSEI* and *Greenergy*, five (5) years for *GBPC*, *MTerra Solar* and *Solar Philippines Calatagan*, seven (7) years for *CEDC* and ten (10) years for *First Bulacan*.

The following table sets out the maturity profile of the financial instruments that are exposed to interest rate risk (exclusive of debt issuance costs):

	Within 1 Year	Over 1–2 Years	Over 2–3 Years	Over 3–4 Years	Over 4–5 Years	More than 5 Years	Total
				(Amounts in millions)			
2025	**₱3,057**	**₱3,291**	**₱3,291**	**₱3,256**	**₱3,151**	**₱95,183**	**₱111,229**
2024	1,205	1,205	1,205	1,205	1,170	13,743	19,733

Floating interest rate of bank loans is repriced at intervals of less than one year. The other financial liabilities of the *MERALCO Group* that are not included in the foregoing have fixed interest rate and are therefore not subject to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates of floating rate loans from various banks, with all other variables held constant, of the *MERALCO Group*'s income before income tax for the years ended December 31, 2025 and 2024 through the impact on floating rate borrowings. There is no other impact on the *MERALCO Group*'s equity other than those already affecting the consolidated statement of income.

2025		2024	
Increase (Decrease) in Basis Points	**Effect on Income before Income Tax**	Increase (Decrease) in Basis Points	Effect on Income before Income Tax
	(Amounts in millions)		
+75	**(₱834)**	+75	(₱148)
(75)	**834**	(75)	148

Interest expense of floating rate loans for the period is computed by taking into account actual principal movements, based on management's best estimate of a +/-75 basis points change in interest rates. There has been no change in the methods and assumptions used by management in the above analysis.

Foreign Currency Risk

The revaluation of any of foreign currency-denominated financial assets and financial liabilities as a result of the appreciation or depreciation of the Philippine peso is recognized as foreign exchange gains or losses as at the end of each reporting period. The extent of foreign exchange gains or losses is largely dependent on the amount of foreign currency-denominated financial instruments. While an insignificant percentage of the *MERALCO Group*'s revenues and liabilities is denominated in *U.S.* dollars, a substantial amount of the *MERALCO Group*'s expenditures for electricity capital projects and a portion of the operating expenses are denominated in foreign currencies, mostly in *U.S.* dollars. As such, a strengthening or weakening of the Philippine peso against the *U.S.* dollar will decrease or increase in Philippine peso terms, the principal amount of the *MERALCO Group*'s foreign currency-denominated liabilities and the related interest expense, foreign currency-denominated capital expenditures and operating expenses.

The following table shows the consolidated foreign currency-denominated financial assets and financial liabilities as at December 31, 2025 and 2024, translated to Philippine peso at ₱58.79 and ₱57.85 to US$1, respectively.

	2025		2024	
	U.S. Dollar	**Peso Equivalent**	U.S. Dollar	Peso Equivalent
		(Amounts in millions)		
Financial assets:				
Cash and cash equivalents	**$331**	**₱19,452**	$144	₱8,345
Financial assets at *FVOCI*	**4**	**251**	26	1,506
Short-term investments	**27**	**1,603**	25	1,451
Advance payments to a supplier	**–**	**–**	4	206
	362	**21,306**	199	11,508
Financial liabilities:				
Trade payables and other liabilities	**(5)**	**(298)**	(11)	(655)
	$357	**₱21,008**	$188	₱10,853

All of the *MERALCO Group*'s long-term financial liabilities are denominated in Philippine peso and an insignificant portion of its trade payables are denominated in *U.S.* dollar.

The following table demonstrates the sensitivity to a reasonably possible change in the *U.S.* dollar exchange rate vis-a-vis the Philippine peso, with all other variables held constant, of the *MERALCO Group*'s income before income tax due to changes in the fair value of financial assets and financial liabilities. There is no other impact on the *MERALCO Group*'s equity other than those already affecting the consolidated statements of income.

2025		2024	
Appreciation (Depreciation) of U.S. Dollar	**Effect on Income before Income Tax**	Appreciation (Depreciation) of U.S. Dollar	Effect on Income before Income Tax
(In %)	*(In millions)*	*(In %)*	*(In millions)*
+5	**₱1,050**	+5	₱543
–5	**(1,050)**	–5	(543)

Foreign exchange gain or loss for the year is computed based on management's best estimate of a +/– 5 percent change in the closing Philippine peso to *U.S.* dollar conversion rate using the balances as at financial reporting date of *U.S.* dollar-denominated cash and cash equivalents, receivables and other assets and liabilities. There has been no change in the methods and assumptions used by management in the above analysis.

Derivative Financial Instruments and Hedging Activities

MERALCO uses derivative financial instruments to manage exposure to foreign currency risk arising from forecasted investment denominated and payable in *U.S.* dollar. The objective of the hedge is to reduce volatility in cash flows associated with foreign exchange fluctuations.

To achieve this objective, *MERALCO* has designated forward foreign exchange contracts as cash flow hedges for its forecasted foreign currency denominated investments over the next 12 months. The hedging relationships are expected to be highly effective in offsetting changes in cash flows attributable to currency fluctuations.

In 2024, *MERALCO* entered into forward contracts to hedge 100% of its forecasted *U.S.* dollar investment payable upon closing of such forecasted transaction. The total notional value of these hedging instruments amounted to $1.03 billion, with maturities dated January 21 to 24, 2025.

The foreign exchange risk arising from these transactions was designated as the hedged risk.

Hedge effectiveness was assessed using the dollar-offset method. The hedge was highly effective, with no significant hedge ineffectiveness recognized.

When the forecasted transactions occured, the related hedge reserve amounts were reclassified from *OCI* to investment.

Prior to the closing of the investment transaction in *Chromite Holdings* in 2025, *MERALCO*'s outstanding hedging instruments amounted to **$**1.187 billion. In January 2025, the forecasted investment was realized and *MERALCO* infused **$**1.187 billion into *MGen* as settlement for its share in the investment in *Chromite Holdings*. The hedging reserve was reclassified from *OCI* account to investment account at ₱1,717 million.

Commodity Price Risk

Commodity price risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in world prices or index of the commodity. The exposure of *MERALCO* and *Clark Electric* to price risk is minimal. The cost of fuel is part of *MERALCO*'s and *Clark Electric*'s generation costs that are recoverable through the generation charge in the billings to captive customers. On the other hand, *RES* and power generation business segments face risk due to fuel price fluctuations.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The *MERALCO Group* is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Trade and Other Receivables and Contract Assets

MERALCO as a franchise holder serving public interest cannot refuse customer connection. To mitigate risk, the *DSOAR* allows *MERALCO* to collect bill deposit equivalent to one (1) month's consumption to secure credit. Also, as a policy, disconnection notices are sent three (3) days after the bill due date and disconnections are carried out beginning on the third day after receipt of disconnection notice.

Customer credit risk is managed by each business segment subject to *MERALCO Group*'s procedures and controls relating to customer credit risk management. The *MERALCO Group* manages and controls credit risk by setting limits on the amount of risk that it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are grouped according to contract status (e.g. active, terminated, etc.). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the *MERALCO* customer segment's historical observed default rates. Each business segment of the *MERALCO* calibrates the matrix to adjust the historical credit loss experience with forward-looking information.

At every reporting date, historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assumptions used in determining the historical default rates, and forecast of economic conditions to *MERALCO* customers and *ECL*s involved significant estimation. The amount of *ECL*s is sensitive to changes in circumstances and forecast of economic conditions. The historical credit loss experience, expected deferred payment arrangements, expected default upon resumption of service disconnection activities and forecast of economic conditions may also not be representative of customers' actual default in the future.

The subsidiaries of *MERALCO* trade only with recognized, creditworthy third parties. It is the *MERALCO Group*'s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables are monitored on an ongoing basis to reduce exposure to bad debt.

GBPC and its subsidiaries applied the simplified approach under *PFRS 9*, using a 'provision matrix', in measuring expected credit losses which uses a lifetime expected loss allowance for receivables. The expected loss rates are based on the payment profiles of revenues/sales over a period of at least 24 months before the relevant reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers/counterparties to settle the receivables. *GBPC* and its subsidiaries have identified the gross domestic product ("*GDP*") and consumer price index ("*CPI*") to be the most relevant factors, and accordingly adjust the historical loss rates based on expected changes in these factors.

No impairment losses resulted from performing collective impairment test, due to the past experience of *GBPC* and its subsidiaries of realizing receivables within the credit period which help reduce the credit risk exposure in case of default by the customers.

Set out below is the information about the credit risk exposure of the *MERALCO Group*'s trade and other receivables and contract assets using a provision matrix:

	2025							
	Trade – electectricity distributed							
	Contract Status							
	Active	Active - Disconnected	Active – Pending to Terminate	Terminated	Energy Generated	Other trade receivables	Nontrade receivables	Total
	(Amounts in millions, except ECL rate)							
ECL Rate	**0.48%**	**0.63%**	**5.10%**	**78.40%**	**19.38%**	**7.48%**	**2.81%**	
Estimated total gross carrying amount at default	**₱39,029**	**₱2,536**	**₱167**	**₱8,465**	**₱6,717**	**₱14,938**	**₱14,550**	**₱86,402**
Expected credit loss	**186**	**16**	**9**	**6,637**	**1,301**	**1,117**	**410**	**9,676**

	2024							
	Trade – electectricity distributed							
	Contract Status							
	Active	Active - Disconnected	Active – Pending to Terminate	Terminated	Energy Generated	Other trade receivables	Nontrade receivables	Total
	(Amounts in millions, except ECL rate)							
ECL Rate	0.28%	0.70%	0.65%	73.48%	19.34%	5.20%	4.69%	
Estimated total gross carrying amount at default	₱31,484	₱1,569	₱2,143	₱8,487	₱6,613	₱13,921	₱9,334	₱73,551
Expected credit loss	88	11	14	6,236	1,279	787	439	8,854

Financial Instruments and Cash and Cash Equivalents

With respect to placements of cash with financial institutions, these institutions are subject to the *MERALCO Group*'s accreditation evaluation based on liquidity and solvency ratios and on the bank's credit rating. The *MERALCO Group* transacts derivatives only with similarly accredited financial institutions. In addition, the *MERALCO Group'*s deposit accounts in banks are insured by the Philippine Deposit Insurance Corporation up to ₱1,000,000 per depositor, per bank.

The *MERALCO Group* invests only in quoted debt securities with very low credit risk. The *MERALCO Group*'s debt instruments at *FVOCI* comprised solely of quoted bonds that are graded in the top investment category (Very Good and Good) by credit rating agencies and therefore, are considered to be low credit risk investments.

Finally, credit quality review procedures are in place to provide regular identification of changes in the creditworthiness of counterparties. Counterparty limits are established and reviewed periodically based on latest available financial information of counterparties, credit ratings and liquidity. The *MERALCO Group*'s credit quality review process allows it to assess any potential loss as a result of the risks to which it may be exposed and to take corrective actions.

MERALCO, Clark Electric and *Shin Clark,* as *DU*s, requires their captive customers to pay bill deposit equivalent to their estimated monthly bill. Such deposit is updated annually based on the historical 12-month average bill. The bill deposits serve to guarantee payment of bills by a customer.

The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position. The maximum exposure is equivalent to the nominal amount of the accounts.

	Gross Maximum Exposure	
	2025	2024
	(Amounts in millions)	
Cash and cash equivalents:		
Cash in banks	**₱41,003**	₱29,838
Cash equivalents	**68,025**	54,315
Trade and other receivables:		
Electricity sold	**39,182**	37,333
Energy generated	**5,416**	5,334
Service contracts	**9,868**	9,771
Subscription receivable	**12,109**	–
Nontrade receivables	**2,031**	8,897
Other current financial assets:		
Derivative asset	**524**	–
Short-term investments	**140**	12
Debt securities at amortized cost	**–**	8,814
Current portion of advance payments to a supplier	**–**	206
Other noncurrent financial assets:		
Financial assets at *FVOCI*	**3,231**	4,407
Debt securities at amortized cost	**1,088**	1,091
	₱182,617	₱160,018

The credit quality of financial assets is managed by *MERALCO* using "High Grade", "Standard Grade" and "Sub-standard Grade" for accounts, which are neither impaired nor past due using internal credit rating policies.

The following tables show the credit quality by asset class:

	2025					
	Neither Past Due nor Impaired					
	High Grade	**Standard Grade**	**Sub-standard Grade**	**Past Due but not Impaired**	**Impaired Financial Assets**	**Total**
	(Amounts in millions)					
Cash in banks and cash equivalents	**₱109,028**	**₱–**	**₱–**	**₱–**	**₱–**	**₱109,028**
Trade and other receivables:						
Electricity sold	**6,281**	**3,868**	**16,755**	**12,278**	**6,848**	**46,030**
Service contracts	**6,518**	**–**	**–**	**3,350**	**1,087**	**10,955**
Energy generated	**5,416**	**–**	**–**	**–**	**1,301**	**6,717**
Subscription receivable	**12,109**	**–**	**–**	**–**	**–**	**12,109**
Nontrade receivables	**1,734**	**272**	**–**	**25**	**410**	**2,441**
Other current assets:						
Derivative asset	**524**	**–**	**–**	**–**	**–**	**524**
Short-term investments	**140**	**–**	**–**	**–**	**–**	**140**
Other noncurrent assets:						
Financial assets at *FVOCI*	**3,231**	**–**	**–**	**–**	**–**	**3,231**
Debt securities at amortized cost	**1,088**	**–**	**–**	**–**	**–**	**1,088**
	₱146,069	**₱4,140**	**₱16,755**	**₱15,653**	**₱9,646**	**₱192,263**

	2024					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Sub-standard Grade	Past Due but not Impaired	Impaired Financial Assets	Total
	(Amounts in millions)					
Cash in banks and cash equivalents	₱84,153	₱–	₱–	₱–	₱–	₱84,153
Trade and other receivables:						
Electricity sold	8,226	3,548	15,638	9,921	6,349	43,682
Service contracts	6,678	–	–	3,093	762	10,533
Energy generated	5,333	–	–	1	1,279	6,613
Nontrade receivables	7,833	–	–	1,064	439	9,336
Other current assets:						
Debt securities at amortized cost	8,814	–	–	–	–	8,814
Current portion of advance payments to a supplier	206	–	–	–	–	206
Short-term investments	12	–	–	–	–	12
Other noncurrent assets:						
Debt securities at amortized cost	1,091	–	–	–	–	1,091
Financial assets at *FVOCI*	4,407	–	–	–	–	4,407
	₱126,753	₱3,548	₱15,638	₱14,079	₱8,829	₱168,847

Credit ratings are determined as follows:

- High Grade

  High grade financial assets include cash in banks, cash equivalents, short-term investments, debt securities at amortized cost investments, *FVOCI* financial assets and advance payments to a supplier transacted with counterparties of good credit rating or bank standing. Consequently, credit risk is minimal. These counterparties include large prime financial institutions, large industrial companies and commercial establishments, and government agencies. For trade receivables, these consist of current month's billings (less than 30 days) that are expected to be collected within 10 days from the time bills are delivered.

- Standard Grade

  Standard grade financial assets include trade receivables that consist of current month's billings (less than 30 days) that are expected to be collected before due date (10 to 14 days after bill date).

- Sub-standard Grade

  Sub-standard grade financial assets include trade receivables that consist of current month's billings, which are not expected to be collected within 60 days.

Liquidity Risk

Liquidity risk is the risk that the *MERALCO Group* will be unable to meet its payment obligations when these fall due. The *MERALCO Group* manages this risk through monitoring of cash flows in consideration of future payment of obligations and the collection of its trade receivables. The *MERALCO Group* also ensures that there are sufficient, available and approved working capital lines that it can draw from at any time.

The *MERALCO Group* maintains an adequate amount of cash, cash equivalents and *FVOCI* financial assets, which may be readily converted to cash in any unforeseen interruption of its cash collections.

The *MERALCO Group* also maintains accounts with several relationship banks to avoid significant concentration of funds with one (1) institution.

The following table sets out the maturity profile of the financial liabilities and contract liabilities based on contractual undiscounted payments plus future interest:

	2025				
	Less than 3 Months	**Over 3–12 Months**	**Over 1–5 Years**	**More than 5 Years**	**Total**
	(Amounts in millions)				
Notes payable	**₱9,674**	**₱26,728**	**₱–**	**₱–**	**₱36,402**
Trade payables and other current liabilities	**118,675**	**–**	**–**	**–**	**118,675**
Customers' refund	**2,851**	**–**	**–**	**–**	**2,851**
Interest-bearing long-term financial liabilities:					
Fixed rate borrowings	**437**	**2,509**	**17,585**	**62,995**	**83,526**
Floating rate borrowings	**2,604**	**6,944**	**37,287**	**117,611**	**164,446**
Redeemable preferred stock	**1,459**	**–**	**–**	**–**	**1,459**
Customers' deposits	**1,298**	**1,502**	**8,518**	**30,688**	**42,006**
Refundable service extension costs	**345**	**672**	**3,303**	**68**	**4,388**
Non-refundable liability related to asset funded by customers	**127**	**127**	**127**	**565**	**946**
Total undiscounted financial liabilities	**₱137,470**	**₱38,482**	**₱66,820**	**₱211,927**	**₱454,699**

	2024				
	Less than 3 Months	Over 3–12 Months	Over 1–5 Years	More than 5 Years	Total
	(Amounts in millions)				
Notes payable	₱7,721	₱28,111	₱–	₱–	₱35,832
Trade payables and other current liabilities	96,129	–	–	–	96,129
Customers' refund	2,853	–	–	–	2,853
Interest-bearing long-term financial liabilities:					
Fixed rate borrowings	947	10,485	15,757	18,570	45,759
Floating rate borrowings	159	1,408	7,304	15,412	24,283
Redeemable preferred stock	1,461	–	–	–	1,461
Customers' deposits	379	2,431	7,263	26,011	36,084
Refundable service extension costs	345	1,112	3,304	449	5,210
Non-refundable liability related to asset funded by customers	127	127	127	568	949
Total undiscounted financial liabilities	₱110,121	₱43,674	₱33,755	₱61,010	₱248,560

The maturity profile of bill deposits is not determinable since the timing of each refund is linked to the cessation of service, which is not reasonably predictable. However, *MERALCO* estimates that the amount of bill deposits (including related interests) of ₱2,482 million will be refunded within a year. This is shown as part of "Trade payables and other current liabilities" account in the consolidated statement of financial position as at December 31, 2025.

Capital Management

The primary objective of the *MERALCO Group*'s capital management is to enhance shareholder value. The capital structure is reviewed with the end view of achieving a competitive cost of capital and at the same time ensuring that returns on capital expenditure are consistent with the levels approved by its regulators for its core distribution business.

The capital structure optimization plan is complemented by efforts to improve capital efficiency to increase yields on invested capital. This entails efforts to improve the efficiency of capital assets, working capital and non-core assets.

The *MERALCO Group* monitors capital using, among other measures, debt to equity ratio, which is gross debt divided by equity attributable to equity holders of the parent company. The *MERALCO Group* considers long-term debt, redeemable preferred stock and notes payable as debt.

	2025	2024
	(Amounts in millions, except debt to equity ratio)	
Long-term debt	**₱192,220**	₱59,028
Notes payable	**36,367**	34,287
Redeemable preferred stock	**1,459**	1,461
Debt (a)	**₱230,046**	₱94,776
Equity attributable to equity holders of the parent company (b)	**₱173,137**	₱144,599
Debt to equity ratio(a)/(b)	**1.33**	0.66

28. Income Taxes and Local Franchise Taxes

Income Taxes

The components of net deferred income tax assets and liabilities are as follows:

	Note	**2025**	2024
		(Amounts in millions)	
Deferred income tax assets:			
Provisions for probable losses and expenses from claims	*19 and 22*	**₱25,670**	₱27,078
Unfunded retirement benefits cost and unamortized past service cost	*26*	**3,301**	2,948
Allowance for expected credit losses	*13*	**1,708**	1,582
Accrued employee benefits	*26*	**1,604**	1,207
Decommissioning liability		**100**	93
Others		**1,514**	1,316
		33,897	34,224
Deferred income tax liabilities:			
Revaluation increment in utility plant and others	*7,9 and 16*	**8,043**	8,092
Fair value of net assets from acquisitions	*3*	**6,297**	6,628
Capitalized interest		**1,054**	938
Actuarial gains	*26*	**555**	193
Capitalized duties and taxes deducted in advance		**297**	331
Others		**377**	429
		16,623	16,611
		₱17,274	₱17,613

The deferred income tax assets and liabilities are presented in the consolidated statements of financial position as follows:

	2025	2024
	(Amounts in millions)	
Deferred income tax assets – net	**₱25,706**	₱26,382
Deferred income tax liabilities – net	**(8,432)**	(8,769)
	₱17,274	₱17,613

Provision for (benefit from) income tax consists of:

	2025	2024	2023
	(Amounts in millions)		
Current	**₱12,770**	₱12,232	₱9,153
Deferred	**(20)**	(2,018)	(1,042)
	₱12,750	₱10,214	₱8,111

Deferred income tax charged directly to *OCI* amounted to ₱359 million (expense), ₱812 million (benefit) and ₱1,278 million (benefit) for the years ended December 31, 2025, 2024 and 2023, respectively.

A reconciliation between the provision for income tax computed at statutory income tax rates of 25%, for the years ended December 31, 2025, 2024 and 2023, and provision for income tax as shown in the consolidated statements of income is as follows:

	2025	2024	2023
		(Amounts in millions)	
Income tax computed at statutory tax rate	**₱15,898**	₱14,171	₱11,697
Income tax effects of:			
Equity in net earnings of associates and joint ventures	**(4,183)**	(2,567)	(2,870)
Interest income subjected to lower final tax rate	**(820)**	(932)	(804)
Nontaxable income	**(304)**	(391)	(439)
Nondeductible interest expense	**506**	232	201
Nondeductible expense	**405**	326	151
Difference in calculation of tax deductible costs and expenses	**(354)**	(1,568)	(218)
Movement of unrecognized deferred tax assets	**1,229**	1,224	127
Others	**373**	(281)	266
	₱12,750	₱10,214	₱8,111

Certain deferred tax assets and liabilities expected to be recovered or settled in subsequent taxable years, for which the related income and expense were not considered in determining gross income for income tax purposes, were not recognized. This is because the manner by which *MERALCO* expects to recover or settle the underlying assets and liabilities would not result in any future tax consequence under the current method of computing taxable income.

MERALCO's net deferred tax assets which were not recognized as at December 31, 2025 and 2024 are as follows:

	2025	2024
	(Amounts in millions)	
Deferred tax assets:		
Allowance for impairment losses	**₱4,092**	₱4,004
Net operating loss carryover ("*NOLCO*")	**1,896**	1,913
Provisions for various claims	**452**	1,035
Unfunded retirement benefits cost and unamortized past service cost	**142**	147
Decommisioning liability	**112**	103
Others	**75**	78
	₱6,769	₱7,280

The temporary differences for which deferred tax assets have not been recognized pertain to the tax effect of *NOLCO* of *MGen* amounting to ₱10,164 million and ₱7,657 million as at December 31, 2025 and 2024, respectively. These are not recognized because *MGen* does not expect to utilize such deferred tax assets against sufficient taxable profit in the future.

NOLCO totaling to ₱10,164 million may be claimed as deduction against taxable income as follows:

Date Incurred	Expiry Date	Amount
		(In millions)
December 31, 2021	December 31, 2026	₱2,037
December 31, 2023	December 31, 2026	1,859
December 31, 2024	December 31, 2027	2,003
December 31, 2025	December 31, 2028	4,265
		₱10,164

NOLCO amounting to ₱3,257 million expired in 2025.

On September 30, 2020, the *BIR* issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the *NOLCO* incurred for taxable years 2020 and 2021 may be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

LFT

Consistent with the decisions of the *ERC*, *LFT* is a recoverable charge of the *DU* from the particular province or city imposing and collecting the *LFT*. It is presented as a separate line item in the customer's bill and computed as a percentage of the sum of generation, transmission, distribution services and related *SL* charges.

The Implementing Rules and Regulations ("*IRR*") issued by the *ERC* provide that *LFT* shall be paid only on its distribution wheeling and captive market supply revenues. Pending the promulgation of guidelines from the relevant government agencies, *MERALCO* is paying *LFT* based on the sum of generation, transmission, distribution services and related *SL* charges in the customers' bill.

In *ERC* Resolution No. 2, Series of 2021, or the RuFles on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes) of *DU*s, the *ERC* amended and modified the rules with respect to the recovery of any *LFT*, including the filing of applications for recovery.

29. **Contingencies and Legal Proceedings**

Overpayment of Income Tax related to SC Refund

After several rounds of motions and appeals in the Court of Tax Appeals ("*CTA*"), the *CTA En Banc* on May 22, 2013 denied the motions of the *BIR* and *MERALCO*, and ordered the *CTA* Second Division to receive evidence and rebuttal evidence relating to *MERALCO*'s level of refund to customers, pertaining to the excess charges it made in taxable years 1994 - 1998, and 2000, corresponding to the amount of ₱5,796 million, as already determined by the said court.

The *BIR* appealed the *CTA* en Banc's Amended Decision on July 12, 2012 via a Petition for Review with the *SC*.

On October 2, 2024, the *SC* 2nd Division issued a Resolution granting the *BIR*'s appeal, which reversed and set aside the *CTA En Banc*'s Amended Decision and reinstated the May 8, 2012 Decision of the *CTA En Banc*. On December 20, 2024, *MERALCO* filed an Omnibus Motion with the *SC* for reconsideration of the said Resolution. As at February 25, 2026, the Omnibus Motion is pending resolution by the *SC*.

LFT Assessments of Municipalities

Certain municipalities have served assessment notices on *MERALCO* for *LFT*. As provided in the Local Government Code ("*LGC*"), only cities and provincial governments may impose *LFT* on establishments doing business in their localities. On the basis of the foregoing, *MERALCO* and its legal counsel believe that *MERALCO* is not subject or liable for such assessments.

RPT Assessments

On October 22, 2015, the *SC* ruled on an appeal of *MERALCO* declaring, among others, that the transformers, electric posts, transmission lines, insulators and electric meters are not exempted from *RPT* under the *LGC*. Thereafter, *MERALCO* began the process of settlement with the affected *LGU*s and filed for the recovery of the resulting *RPT* payments with the *ERC*.

Acting on petitions filed by *PEPOA* and *PHILRECA*, the *ERC* issued Resolution No. 2, Series of 2021, "Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes", approving the recovery of *RPT*, *LFT* and Business Taxes as pass-through charges and therefore excluded among the financial building blocks in the annual revenue requirement of *PBR*.

Subsequently, *PEPOA* filed another petition for rule-making to amend certain provisions of Resolution No. 2, Series of 2021 to cover full recovery as pass-through costs of: (i) local taxes (*RPT*, *LFT* and business tax) levied by *LGU*s during the years prior to the Resolution to address tax arrearages; and (ii) *RPT* assessed by *LGU*s on assets located outside the *DU*'s franchise area but are used to provide public service within the franchise area. *MERALCO* had submitted its comments and several public consultations were conducted. As at February 25, 2026, the Petition is pending with the *ERC*.

See Note 19 – Provisions.

Mediation with NPC

On November 21, 1994, *MERALCO* entered into a 10-year Contract for Sale of Electricity ("*CSE*") with *NPC* beginning January 1, 1995, as required by the *DOE* to address the concerns of the then creditors of *NPC*, following a crippling power supply crisis.

The *CSE*, rates and amounts charged to *MERALCO* were approved by the *BOD* of *NPC* and the then Energy Regulatory Board, respectively.

Separately, the *DOE* also required *MERALCO* to provide market for half of the output of the Camago-Malampaya gas field to allow the Government to generate revenues and foreign exchange savings to the extent of the fuel imports which shall be displaced.

In the early years of *CSE*, *MERALCO*'s total purchases from *NPC* exceeded the contract level. However, following the Asian crisis in 1997, a decline in energy demand occurred. A dispute ensued with a Settlement Agreement signed between *NPC* and *MERALCO* on July 15, 2003 which was filed with the *ERC* for approval. After the validity of the Settlement Agreement was questioned by the Office of the Solicitor General, the matter was elevated to the *RTC* under a petition for declaratory relief. The *RTC* Decision declaring the Settlement Agreement valid and binding, except for the pass-through provision which remains under the *ERC*'s jurisdiction, was affirmed by both the *CA* and *SC*.

In a Resolution dated September 28, 2022, the *SC* denied the Petition filed by the *OSG* and affirmed the validity of the *SA*. The *OSG* filed a Motion for Reconsideration. The *SC*, through a resolution dated April 3, 2024 denied the *OSG*'s motion. With this, the Resolution has attained finality and entry of judgment had been issued.

As at February 25, 2026, *MERALCO* is preparing to file the appropriate motion for the revival of the proceedings before the *ERC* for the pass-through of such generation charge.

Sucat-Araneta-Balintawak Transmission Line

The Sucat-Araneta-Balintawak transmission line, a two (2)-part 230 kV line in Metro Manila, includes the Araneta to Balintawak and the Sucat to Araneta legs, passing through Dasmariñas Village, Makati City.

On March 10, 2000, certain residents along Tamarind Road, Dasmariñas Village, filed a case against *NPC* with the *RTC-Makati* to stop the installation and energization of high voltage cables near their homes due to alleged health risks from the electromagnetic field emitted by said lines. The *RTC-Makati* granted a preliminary injunction on April 3, 2000, which was affirmed by the *SC* on March 23, 2006. *MERALCO* intervened, citing the significant impact of de-energization of the Sucat-Araneta line to the public and economy, and the shutdown of the 230 *kV* line will result in widespread and rotating brownouts within *MERALCO*'s franchise area with certain power plants unable to run at their full capacities.

On September 8, 2009, the *RTC-Makati* allowed *MERALCO* and *NGCP* to intervene and dissolved the injunction, subject to the posting of a bond to cover potential damages.

The case remains pending, and is still at the pre-trial stage, with disputes over expert depositions. As at February 25, 2026, *MERALCO* is awaiting further action from the *SC* on the matter.

Petition for Dispute Resolution against Philippine Electricity Market Corporation ("*PEMC*"), *TransCo*, *NPC* and *PSALM*

A Petition for Dispute Resolution was filed by *MERALCO* against *PEMC, TransCo*, *NPC* and *PSALM*, as a result of the congestion in the transmission system of *TransCo* arising from the outages of the San Jose-Tayabas 500 *kV* Line 2 on June 22, 2008, and the 500 *kV* 600 Mega Volt-Ampere Transformer Bank No. 2 of *TransCo*'s San Jose, Bulacan substation on July 11, 2008. The Petition sought to, among others, direct *PEMC* to adopt the *NPC*- Time-of-Use ("*TOU*") rate or the price determined through the *ERC*-approved price substitution methodology of *PEMC* as approved by the *ERC*, as basis for its billing during the period of the congestion and direct *NPC* and *PSALM* to refund the transmission line loss components of the line rentals associated with *NPC/PSALM* bilateral transactions from the start of *WESM* operation on June 26, 2006.

The *ERC* eventualy found merit in *MERALCO*'s petition and ruled that there is double charging. Thus, *NPC* was directed to refund line rental adjustment to *MERALCO*. Discussions ensued on the methodology for segregation of line rental into congestion cost and line losses from the start of the *WESM* operation. Amounts of refunds were determined and *NPC* was directed to refund amounts collected for the period November 2006 to August 2012. Additionally, *MERALCO* was directed to file a petition agains several successor generating companies ("*SGC*s") to recover the line loss collected by them. Among subsequent filings was a Petition for Review on Certiorari (With Urgent *TRO* and/or Writ of Preliminary Mandatory Injunction Applications) filed by *PSALM*. The *CA* dismissed the Petition for Certiorari and upheld the decision on the *ERC* with respect to the double charging. Another *MR* filed by *PSALM* was also denied by the *CA* with *PSALM* elevating the case to the *SC*. The motion has been given due course and is awaiting further action of the SC on the Petition as of February 25, 2026.

Petition for Dispute Resolution against SPPC, MPPCL, APRI, TLI, SPI and Sem-Calaca

On August 29, 2013, *MERALCO* filed a Petition for Dispute Resolution against *SPPC*, *MPPCL*, *APRI*, *TLI*, *SPI* and *Sem-Calaca.* Said Petition seeks the following: 1) refund of the 2.98% transmission line losses in the amount of ₱5.4 billion, inclusive of the ₱758 million line loss for the period September 2012 to June 25, 2013, from said *SGC*s; and 2) approval of *MERALCO*'s proposal to correspondingly refund to its customers the aforementioned line loss amounts, as and when the same are received from the *SGC*s, until such time that the said over-recoveries are fully refunded, by way of automatic deduction of the amount of refund from the computed monthly generation rate. On September 20, 2013, *MERALCO* received the *SGC*s' Joint Motion to Dismiss. On October 7, 2013, *MERALCO* filed its Comment on the said Joint Motion.

On October 8, 2013, *MERALCO* received the *SGC*s Manifestation and Motion, which sought, among other things, the cancellation of the scheduled initial hearing of the case, including the submission of the parties respective Pre-trial Briefs, until the final resolution of the *SGC*'s Joint Motion to Dismiss. On October 11, 2013, *MERALCO* filed its pre-trial brief. On October 14, 2013, *MERALCO* filed its Opposition to the *SGC*'s Manifestation and Motion. On October 24, 2013, *MERALCO* received the *SGC*'s Reply to its Comment on the Joint Motion to Dismiss. On October 29, 2013, *MERALCO* filed its Rejoinder. Thereafter, the *SGC*'s filed their Sur-Rejoinder dated November 4, 2013. As at February 25, 2026, the Joint Motion to Dismiss is pending resolution by the *ERC*.

Petition for Dispute Resolution with NPC on Premium Charges

On June 2, 2009, *MERALCO* filed a Petition for Dispute Resolution against *NPC* and *PSALM* with respect to *NPC*'s imposition of premium charges for the alleged excess energy it supplied to *MERALCO* covering the billing periods May 2005 to June 2006. The premium charges amounting to ₱315 million during the May-June 2005 billing periods have been paid but are the subject of a protest by *MERALCO*, and premium charges of ₱318 million during the November 2005, February 2006 and April to June 2006 billing periods are being disputed and withheld by *MERALCO*. *MERALCO* believes that there is no basis for the imposition of the premium charges. The hearings on this case have been completed. As at February 25, 2026, the Petition is pending resolution by the *ERC*.

SC TRO on MERALCO's December 2013 Billing Rate Increase

After several hearings, petitions and motions, on August 3, 2022, the *SC* affirmed the December 9, 2013 letter of the *ERC* approving *MERALCO*'s proposal to implement a staggered collection over three (3) months and also voided the *ERC*'s March 3, 2014 Order imposing a regulated rate for the said period. A subsequent *MR* was denied with finality by the *SC* on October 11, 2022.

With the foregoing, *MERALCO* and *IEMOP* completed the reconciliation of the final amount to be recovered and a joint letter has been sent to the *ERC* on March 12, 2024 for implementation of the *SC* Decision. As of February 25, 2026, the parties are awaiting the decision of the *ERC* on the recovery of such pass-through charges.

ERC IU Complaint

On December 26, 2013, the *ERC* constituted the *IU* under its Competition Rules to investigate possible anti-competitive behavior by the industry players and possible collusion that transpired in the *WESM* during the supply months of November 2013 and December 2013.

Several proceedings ensued at the *ERC, CA* and the *SC*. In a resolution dated September 29, 2021, the *SC* affirmed with the *CA* that the *ERC* has jurisdiction over the cases. In the meantime, the *ERC* resumed hearing to discuss updates and developments related to the case. Pre-trial conferences have been conducted and the *ERC* is in the process of resolving the pending motions filed by the GenCos and *MERALCO*. As of February 25, 2026, the parties are awaiting further action by the *ERC*.

SC Petition on WESM Sales

On May 20, 2024, *MERALCO* received a copy of the Resolution dated April 3, 2024, issued by the *SC* requiring respondents *ERC, MERALCO* and *IEMOP* to file a comment on the Petition for Mandamus and Injunction against *ERC, MERALCO* and *IEMOP*. The Petition seeks to, among other things, compel the *ERC* to ban the purchase of electricity by *DU*s, like *MERALCO*, at the *WESM*. On June 10, 2024, *MERALCO* filed its Comment on the Petition. As at February 25, 2026, *MERALCO* awaits further action of the *SC* on the case.

Ombudsman Cases Against MERALCO Directors

Certain consumer groups charged the *MERALCO* directors and the *ERC* with alleged conspiracy on the misappropriation of bill deposits received from consumers. On May 18, 2018, the criminal complaint for syndicated estafa was dismissed but the case was referred to the *COA* for conduct of audit with respect to compliance therewith. A subsequent *MR* filed by the same consumer group was denied by the *SC*. Thereafter, the same consumer group filed an Urgent Motion for Immediate Execution dated September 21, 2018 praying that the Ombudsman issue a Writ of execution to implement the Resolution dated May 18, 2018. As at February 25, 2026, the matter is still pending.

Petition for Dispute Resolutions

Certain customers have filed a petition with the *ERC* and initiated arbitration proceedings over disputed billings, both of which remain pending, with the appointment of the arbitral tribunal still ongoing as at February 25, 2026.

Others

Management and its internal and external counsels believe that the probable resolution of these issues will not materially affect *MERALCO*'s financial position and results of operations.

30. Significant Contracts and Commitments

MERALCO

Independent Power Producers ("IPPs")

FGPC and *FGP*

MERALCO entered into separate 25-year *PPA*s with *FGPC* (March 14, 1995) and *FGP* (July 22, 1999) for a minimum net electric output of the Sta. Rita and San Lorenzo power plants, respectively, from the start of their commercial operations. The *PPA* for the Sta. Rita plant ended on August 17, 2025. There was an 11-day extension initially implemented and thereafter an Interim Extension through January 31, 2026, both duly approved by the *ERC*. On January 30, 2026, the *ERC* approved the Second Interim Extension of the *PPA* until June 25, 2026 under the same terms and conditions for the implementation of the First Interim Extension. The *PPA* for the San Lorenzo plant ends on October 1, 2027.

QPPL

The 25-year *PPA* of *MERALCO* with *QPPL* ended on May 31, 2025.

See *Note 11 – Other Noncurrent Assets.*

Committed Energy Volume to be Purchased

The following are forecasted purchases from/payments to *FGPC* and *FGP* corresponding to the Minimum Energy Quantity ("*MEQ*") provisions of the contracts. The forecasted fixed payments include capacity charge and fixed operation and maintenance cost escalated using the *U.S.* and Philippine Consumer Price Index.

Year	MEQ	Equivalent Amount
	(In million kwh)	*(In Millions)*
2026	6,331	₱10,927
2027	3,328	5,716

SBPL

MERALCO and *SBPL* have an *ERC*-approved *PSA* for a period of 20 years from the start of commercial operations up to September 25, 2039.

PEDC

The 20-Year *PSA* between *MERALCO* and *PEDC* was ultimately terminated after *PEDC* notified *MERALCO* of its decision to cease energy supply, citing the *ERC*'s failure to act on its Urgent Motion for Contract Adjustment amid rising coal prices driven by global geopolitical developments.

The *ERC*, though, approved *PEDC*'s application for recovery of actual fuel costs totaling ₱380 million representing the unrecovered losses from September 26, 2022 to December 4, 2022. The collection and settlement by *MERALCO* from its consumers shall begin with the March 2026 billing period.

First Bulacan

MERALCO and *First Bulacan* have an *ERC*-approved *PSA* for a period of 20 years from the start of commercial operations until 2031.

Solar Philippines Tarlac Phase 1

MERALCO has a 20-year *PSA* with *Solar Philippines Tarlac* for the purchase of up to 85 *MW* of electric output from Phase one (1) of its solar plant in Tarlac until July 2038. The *ERC* approved a 2% annual escalation but left the adjustment of the timelines set under the *PSA* to the discretion of *MERALCO* and *Solar Philippines Tarlac*. The parties have jointly filed its application with the *ERC* and is awaiting final decision of the *ERC*.

Solar Philippines Tarlac Phase 2

MERALCO has a 20-year *PSA* with *Solar Philippines Tarlac* for the purchase of up to 50 *MW* of electric output from Phase 2 of its solar plant in Tarlac, which was filed with the *ERC* for approval. However, the 5-year approval period had lapsed without any resolution from the *ERC. Solar Philippines Tarlac* eventually filed a Motion to Withdraw the Application of the PSA on the basis of the *PSA*'s Longstop Date provision. This Motion to Withdraw Application remains pending the decision of the *ERC. Solar Philippines Tarlac* is of the position that it has no obligation to supply *MERALCO* for the additional 50 *MW* capacity.

SPI, AC Energy and SPPC – Baseload PSAs

MERALCO's baseload capacities with *SPI* (330 *MW*) and *SPPC* (670 *MW*) were terminated when the *ERC* denied the Joint Motions for the Price Adjustment on Notices of *CIC* of *SPI* and *SPPC*. Cases were filed with the *CA*, and the *ERC* elevated the case to the *SC* when the *CA* set aside the order of the *ERC* that denied the Joint Motions for Price Adjustment. On July 4, 2024, the *SC* issued a Resolution denying the *ERC*'s Motion for Reconsideration.

Thereafter, the *ERC* approved the two (2) *CIC* claims of *SPI* and *SPPC* totalling ₱34.2 billion. *CIC* 1 totalling ₱5 billion is billable to customers beginning September 2025 billing period over six (6) months until full recovery. *CIC* 2 on the other hand totaling ₱29.3 billion is recoverable over 36 months starting the March 2026 billing period.

AC Energy filed similar *CIC* claims totaling ₱2.56 billion. On January 26, 2026, the *ERC* granted *AC Energy*'s Updated and Supplemental Joint Motions for Price Adjustment and allowed *AC Energy* to recover from *MERALCO* customers the amount of ₱1.75 billion, over 12 months starting the March 2026 billing period.

First Gen Hydro Power Corporation ("First Gen Hydro"), AC Energy and SPPC – Mid-merit PSAs

MERALCO signed three (3) *PSA*s for mid-merit capacity with *First Gen Hydro* for 100 *MW, AC Energy* for 110 *MW*, and *SPPC* for 290 *MW*. On January 30, 2020 and March 16, 2020, *MERALCO* received *ERC* orders granting provisional authority to implement *MERALCO*'s *PSA*s for mid-merit capacity with *AC Energy*, and *First Gen Hydro*and *SPPC*, respectively. In its Orders dated November 26, 2020, the *ERC* granted interim relief authorizing continued implementation of the *PSA*s, until revoked or until the issuance of a final decision by the *ERC*. As at February 25, 2026, the three (3) *PSA* applications are pending final decision by the *ERC*.

MTerra Solar

MERALCO has a 20-year *PSA* with *MTerra Solar* for 850 *MW* renewable energy mid-merit capacity. The *ERC* approved the *PSA* on August 8, 2023, with notification of acceptance by *MTerra Solar* upon Receipt of the approval in December 2023. Phase 1 of *MTerra Solar* consisting of 650 *MW* capacity is expected to commence commercial operations in August 2026.

EERI, GNPD and MPGC – 2024 Baseload PSAs

MERALCO has three (3) *PSA*s with a) *EERI* with commercial operations date in December 2024 for 1,200 *MW*, b) *GNPD* with commercial operations date in May 2025 for 300 *MW*, and c) *MPGC* with commercial operations date in May 2025 for 300 *MW*. The *ERC*, in a Notice of Resolution dated November 26, 2024 (for the *PSA* with *GNPD*); Notice of Resolution dated December 10, 2024 (for the *PSA* with *EERI*) and final Decision dated November 26, 2024 (but received by *MERALCO* on May 30, 2025) (for the *PSA* with *MPGC*) has approved the *PSA*s with *EERI*, *GNPD* and *MPGC*. On December 26, 2024 and April 26, 2025, *EERI* and *GNPD*, respectively, commenced supply to *MERALCO*. On June 2, 2025, *MPGC* commenced supply to *MERALCO*. As at February 25, 2026, the formal/complete final decisions approving the said *PSA*s have already been issued by the *ERC*.

SPPC – 2024 Baseload PSA

On February 5, 2022, *MERALCO* signed a *PSA* for baseload capacity with *SPPC* for 1,200 *MW*. On June 11, 2024, the *ERC* released an Order (dated May 9, 2024) granting provisional authority to implement the *PSA* under several conditions, which includes implementation covering only 910 *MW* capacity, pending *ERC* resolution of the Joint Manifestation dated February 23, 2024 in *ERC* Case No. 2019-080RC on assignment of the 290 *MW* capacity thereat from *SPPC* to *SPI*. *MERALCO* and *SPPC* proceeded to implement the 2024 1,200 *MW PSA* following the *ERC*'s provisional authority Order. On June 26, 2024, *MERALCO* and *SPPC* filed a Joint Motion for Partial Reconsideration which questioned the *ERC*'s provisional authority Order. In a Notice of Resolution dated March 19, 2025, the *ERC* granted the Joint Motion for Partial Reconsideration and the *ERC*'s provisional authority Order dated May 9, 2024 was amended to cover the entire contract capacity of 1,200 *MW*. As at February 25, 2026, the formal/complete order of the said Notice of Resolution dated March 19, 2025 is pending release by the *ERC*.

San Roque Hydropower Inc. ("SRHI"), Gigasol3, Inc. ("Gigasol3") and Santa Cruz Solar Energy Inc. ("SCSEI") – Renewable Energy (RE) Mid-merit PSAs

Following conduct of *CSP*, *MERALCO* has three (3) renewable energy mid-merit supply *PSA*s with a) *SRHI* with operations effective date in March 2025 for 340 *MW*, b) *Gigasol3* with operations effective date in March 2025 for 139 *MW*, and c) *SCSEI* with commercial operations date in March 2026 for 21 *MW*. The joint applications for approval of *MERALCO*'s *PSA*s with *SRHI*, *Gigasol3* and *SCSEI* were filed with the *ERC* on September 23, 2024, September 23, 2024, and September 27, 2024, respectively. On September 10, 2025, the *ERC* promulgated the Decisions of even date for both the *Gigasol3* and *SRHI PSA*s approving with final authority the *PSA*s to be implemented as applied for, subject to conditions. On September 17, 2025, *SRHI* commenced supply to *MERALCO*. On December 2, 2025 and January 22, 2026, *MERALCO* filed Urgent Motions to Resolve with the *ERC*, asking the *ERC* to resolve with finality the *SCSEI PSA*. As at February 25, 2026, the parties are awaiting *ERC*'s final decision on the application for approval of the *SCSEI PSA*.

GNPD and Masinloc Power Co. Ltd. ("MPCL") – Baseload PSAs

Following conduct of *CSP*, *MERALCO* has two (2) baseload supply *PSA*s with *MPCL* for 500 *MW* and with *GNPD* for 100 *MW*, both with operations effective date in September 2025. The joint applications for approval of *MERALCO*'s *PSA*s with *GNPD and MPCL* were filed with the *ERC* on October 2, 2024. On August 22, 2025, the *ERC* issued an Order of even date granting Interim Relief to implement the *PSA* as applied for subject to conditions. On August 26, 2025, *GNPD* commenced supply to *MERALCO*. On September 25, 2025, *GNPD* filed with the *ERC* a Motion for Issuance of Final Authority. On January 14, 2026, the *ERC* promulgated the final decision for the *GNPD PSA*. As at February 25, 2026, the parties are awaiting the *ERC*'s final decision for the *MPCL PSA*.

GNPD – Mid-merit PSA

Following conduct of *CSP*, *MERALCO* has executed a mid-merit supply *PSA* with *GNPD* for 400 *MW* with operations effective date in September 2025. The joint application for approval of *MERALCO*'s *PSA* with *GNPD* was filed with the *ERC* on December 6, 2024. On June 5, 2025 and June 23, 2025, *MERALCO* filed a First and Second Urgent Motions to Resolve. On August 22, 2025, the *ERC* promulgated the Decision of even date approving with final authority the *PSA* to be implemented as applied for, subject to conditions. On August 26, 2025, *GNPD* commenced supply to *MERALCO*. As at February 25, 2026, the parties are awaiting *ERC*'s final decision on the applications.

Interim Power Supply Agreements ("IPSAs")

From 2017 to 2025, *MERALCO* entered into various *IPSAs*, emergency power supply agreements, and short-term *PSA*s with several suppliers to address temporary supply shortfalls arising from fuel supply disruptions, plant outages, regulatory delays, and court-issued injunctions affecting existing power supply contracts. These agreements were generally implemented under *DOE*-issued exemptions from the competitive selection process and were filed with the *ERC* for approval. Most of these contracts were short-term in nature and have already expired. As of February 25, 2026, several applications for approval and related regulatory matters remain pending with the *ERC*.

Clark Electric

Sem-Calaca

Clark Electric has a *PSA* with *Sem-Calaca*, the power generation company which owns, operates and maintains the 600 *MW* Batangas Coal-Fired Thermal Power Plant located in Calaca, Batangas for the supply of 20 *MW* of baseload power supply for a contract term of ten (10) years commencing on December 26, 2020.

The *ERC* approved the *PSA* between *Clark Electric* and *Sem-Calaca* through provisional authority in March 2021 and subsequently allowed its continued implementation by granting Interim Relief in February 2022 upon the authority's expiration.

SPDC

Clark Electric entered into a *PSA* with *SPDC* for the supply of 25 *MW* , which was implemented under *ERC*-granted provisional authority and subsequent interim relief. The *PSA* remained in effect until its termination on December 25, 2025.

SPI

Clark Electric has a *PSA* with *SPI* for the supply of 15 *MW* baseload contract capacity and associated energy beginning December 26, 2025, with provisional authority to implement the *PSA* granted by the *ERC* on November 21, 2025.

TransCo/NGCP

Clark Electric has a Transmission Service Agreement with *NGCP* for the provision of necessary transmission services in accordance with the *OATS* rules December 25, 2028.

Shin Clark

Temporary Power Supply Agreement ("TPSA") and Sale for Resale Agreement ("SRA")

Shin Clark Power entered into a *SRA* with *Clark Electric* to supply the entire power requirements of *NCC*, effective May 7, 2024 upon the expiration of its temporary *PSA* with another distribution utility. The initial approval of the *ERC* of the *SRA* excluded the Overhead Line Recovery Charge ("*OLRC"*). The *ERC* subsequently allowed the recovery of the Administrative and Overhead Line Recovery Charges, both prospectively and for the period from June 2024 to April 2025.

On September 18, 2025, the *ERC* approved the distribution tariff of *Shin Clark Power* at ₱4.0230 per *kWh*.

Supply and Equipment Loan Agreement with Shell Pilipinas Corporation ("Shell")

Panay Power has a Supply and Equipment Loan Agreement with *Shell*, whereby *Shell* will supply *Panay Power*'s requirements of petroleum products at prices based on a pre-agreed formula. In May 2023, following the decommissioning of units 1 and 2 on March 31, 2023 and December 31, 2022, respectively, *Panay Power* informed *Shell* of its intention to terminate the contract. As at February 25, 2026, the termination of the contract is ongoing discussion.

Long-term Coal Supply Agreements ("CSA")

In order to ensure that there is an adequate supply of coal to operate the power plants, the following operating plants entered into several long-term contracts with local and foreign coal suppliers:

PEDC

Supplier	Coal Type	Contract Duration	Price Basis	Quantity per Year
PT Sakti Nusantara Bakti	Indonesia	2022 - 2026	ICI4	220,000 MT
PT Mustika Indah Permai	Indonesia	2025-2027	ICI4	440,000 MT
Vitol Asia Pte. Ltd	Indonesia	2025 - 2027	GNewC/ICI4	165,000 MT
PT Bayan Resources TBK	Indonesia	2025-2027	GNewC/ICI4	220,000 MT
Semirara Mining and Power Corporation	Local	Jan-Dec 2026	Fixed Price	60,000 MT
Galaxy Energy & Resources Co. Pte. Ltd.	Indonesia	Jan-Dec 2026	ICI4	55,000 MT
Bulk Trading Far East Pte. Ltd.	Indonesia	Jan-Dec 2026	ICI4	55,000 MT

CEDC

Supplier	Coal Type	Contract Duration	Price Basis	Quantity per Year
PT Antang Gunung Meratus	Indonesia	2025-2026	GNewC/ICI4	220,000 MT
PT Bara Indah Sinergi	Indonesia	2025-2027	ICI4	110,000 MT
PT Bayan Resources	Indonesia	2025-2027	GNewC/ICI4	275,000 MT
Vitol Asia Pte. Ltd.	Indonesia	2025-2027	GNewC/ICI4	165,000 MT
Bulk Trading Far East Pte. Ltd.	Indonesia	Jan-Dec 2026	ICI4	110,000 MT

TPC

Supplier	Coal Type	Contract Duration	Price Basis	Quantity per Year
PT Antang Gunung Meratus	Indonesia	2025-2026	GNewC/ICI4	55,000 MT
PT Bayan Resources	Indonesia	2026-2027	GNewC/ICI4	55,000 MT
PT Bara Indah Sinergi	Indonesia	2025-2026	GNew/ICI4	55,000 MT

MGen RES

Supplier	Coal Type	Contract Duration	Price Basis	Quantity per Year
Bulk Trading Far East Pte Ltd	Indonesia	Jan-Dec 2026	ICI4	55,000 MT
LX International	Indonesia	Jan-Dec 2026	ICI4	55,000 MT

Cagbalete Island Microgrid Electrification Expansion Capital Expenditure Project ("*Cagbalete Microgrid Project*")

On July 23, 2019, the Cagbalete Microgrid pilot project was energized with 60 *kW PV* system, 150 *kWh* battery energy storage system and two (2) units of 30 *kW* diesel generators, which shall provide 24 x 7 power to the residents of the island.

MERALCO filed an application with the *ERC* to implement the Cagbalete Microgrid Expansion Project, to allow *MERALCO* serve the rest of the residents in Cagbalete Island. This was subsequently withdrawn and remains pending further regulatory action. Pursuant to the Revised Microgrid Law *IRR*, *MERALCO* later notified the *DOE* of its intent to develop a *DU* microgrid system for Cagbalete Island, and received authority to proceed. As of January 25, 2026, *MERALCO* is preparing the necessary application with the *ERC* to secure required approvals.

Lease Agreement with CDC

Clark Electric has a lease agreement through 2032 with *CDC* covering land where its structures and offices are located.

In addition, there are two (2) supplemental lease agreements for an allocated space in *CDC*-owned Dolores Substation 2 and Clark-Mabalacat-Angeles Road Substation.

The annual lease payment is equivalent to ₱0.12 per *kWh* sold by *Clark Electric*.

Estimated future minimum guarantee fees to be remitted to *CDC* are as follows:

	2025	2024
	In millions	
Within one (1) year	**₱91**	₱92
After one (1) year but not more than five years	**513**	540
	₱604	₱632

IMC with PELCO II

Comstech has an *IMC* with *PELCO II* for a period of 20 years until 2034. *PELCO II* is an electric cooperative with franchise to distribute electric power in certain municipalities of Pampanga.

Pursuant to the *IMC*, *Comstech* shall render technical and management services for the operation, maintenance and management and improvement of *PELCO II*'s electric distribution. As consideration for its technical, consultancy and management services, *Comstech* is entitled to a performance-based remuneration and management fee based on a certain percentage of the operating revenues of *PELCO II*.

Agreement and Registration with PEZA

MERALCO operates the distribution system of *CEZ* under a concession agreement with *PEZA* for 25 years until May 2039. It operates under a Certificate of Registration No.10-01-U from *PEZA.*

MERALCO has a tripartite agreement with *PEZA* and *FNPC* for 77 *MW* power supply agreement beginning until June 25, 2026, reflecting the second interim extension approved by the *ERC*.

Joint Venture Agreement with NCC

Shin Clark has a Joint Venture Agreement with the *BCDA* for the construction, operation and maintenance of the electric distribution system in *NCC*.*Shin Clark* completed the construction of Phase 1A of the Interim Electrical Distribution facilities, which consists of (i) a 33 *MVA*, 69 *kV*-13.8 *kV* interim substation; (ii) 2.2 kilometers of 13.8 *kV* overhead lines; and (iii) 1.5 kilometers of 13.8 *kV* underground line. The joint venture company, *Shin Clark Power*, was incorporated in May 2022 and was granted a *CPCN* by the *ERC* to operate as a *DU* until September 2044.

On October 15, 2024, *Shin Clark Power* filed an Application for its initial distribution rate structure to its various customer classes. On September 18, 2025, the *ERC* approved the Application, granting *Shin Clark Power* to collect an effective average rate of ₱4.0230 per *kWh*. As at February 25, 2026, *Shin Clark Power* filed a Motion for Partial Reconsideration which is pending before the *ERC*.

31. Earnings Per Share Attributable to Equity Holders of the Parent Company

Basic and diluted earnings per share are calculated as follows:

	2025	2024	2023
	(In millions except per share amounts)		
Net income attributable to equity holders of the parent company (a)	**₱51,130**	₱45,859	₱38,023
Weighted average common shares outstanding (b)	**1,127**	1,127	1,127
Per Share Amounts:			
Basic and diluted earnings per share (a/b)	**₱45.36**	₱40.69	₱33.74

Basic and diluted earnings per share amounts are calculated by dividing net income for the year attributable to common shareholders of the parent company by the weighted average number of common shares outstanding during the period. There are no potential dilutive common shares in 2025 and 2024.

There are no other transactions involving common shares or potential common shares between the reporting date and the date of completion of these consolidated financial statements.

32. **Other Matters**

RCOA

The transition period for *RCOA* commenced on December 26, 2012 in accordance with the joint statement released by the *ERC* and the *DOE* on September 27, 2012 and the Transitory Rules for the Implementation of *RCOA* (*ERC* Resolution No. 16, Series of 2012). The commercial operations of *RCOA* started on June 26, 2013.

On December 28, 2020, the *ERC* released Resolution No. 12, Series of 2020, entitled "A Resolution Prescribing the Timeline for the Implementation of Retail Competition and Open Access ("*RCOA*")". In said Resolution, the *ERC* expanded the coverage of *RCOA* for end-users with an average monthly peak demand of at least 500 *KW* in the preceding 12 months, on a voluntary basis. On August 15, 2025, the *ERC* released Resolution No. 22, Series of 2025, entitled "A Resolution Lowering the Eligibility Threshold for Retail Competition and Open Access ("*RCOA*") and Retail Aggregation Program ("*RAP*")". In said Resolution, the *ERC* lowered the demand threshold for eligibility to the Competitive Retail Electricity Market ("*CREM*")/*RCOA* to an average monthly peak demand of at least 100 kW effective June 26, 2026.

On September 24, 2021, *MERALCO* received a copy of the *SC* Decision wherein, among other matters, the *ERC* was also directed to promulgate the supporting guidelines to *DOE* Circular No. DC 2017-12-0013 and DC 2017-12-0014. The *ERC* promulgated *ERC* Resolution No. 13, Series of 2024 entitled "A Resolution Adopting the Omnibus Rules for Customer Choice Programs in the Retail Market", which consolidated the relevant regulations of the *ERC* on the different Customer Choice Programs, i.e., *RCOA* (now *CREM*), *GEOP* and Aggregation. The Omnibus Rules became effective on September 6, 2024.

Pre-Emptive Mitigating Measure in the WESM

On November 26, 2025, the *ERC* promulgated *ERC* Resolution No. 26, Series of 2025, which amended *ERC* Resolution No. 07, Series of 2021 and updated the Secondary Price framework based on 2023-2025 market data. The revised rules retained the 72-hour rolling average period and set the secondary price cap at ₱7,423 per *mWh*, triggered once the Cumulative Price Threshold ("*CPT*") of ₱12,413 per *mWh* is breached. The island/regional Secondary Price Cap ("*SPC*") mechanism is maintained for use during grid interconnection outages. Additional Compensation is now limited to oil-based and *LNG* plants whose verified short-run marginal costs exceed the *SPC*, with all other technologies excluded. The *ERC* also established that the *SPC* parameters, including the *SPC* value, *CPT*, and rolling period will undergo review every five years, or earlier if warranted.

PEZA – ERC Jurisdiction

On September 13, 2007, *PEZA* issued guidelines which effectively bestowed upon itself franchising and regulatory powers in Ecozones operating within the legislative franchise areas of *DU*s which are under the legislatively-authorized regulatory jurisdiction of the *ERC*. The guidelines are the subject of an injunction case filed by the *DU*s in *RTC*-Pasig.

MERALCO, *PEZA* and *PEPOA* submitted their Tripartite Agreement for approval of the *RTC*-Pasig. In a Decision dated July 3, 2015, the *RTC*-Pasig approved the Compromise Agreement between *PEZA*, *PEPOA* and *MERALCO*. In the hearing on February 10, 2016, the *RTC*-Pasig dismissed the petition upon motion by *PEZA*. The *ERC* filed a *MR* which is pending resolution by the *RTC*-Pasig.

Purchase of Subtransmission Assets ("*STAs*")

MERALCO and *TransCo* sought regulatory approval for the acquisition of Batch 4 sub-transmission assets, which was denied by the *ERC* and became the subject of prolonged regulatory, appellate, and *SC* proceedings, with a motion for reconsideration currently pending. Separately, *MERALCO* pursued an interpleader case relating to the payment and transfer of certain *TransCo* assets, which was ultimately remanded for proper disposition and attained finality. In December 2020, *MERALCO* and *TransCo* executed the deeds of absolute sale covering the Batch 2 and Batch 4 assets, resulting in *MERALCO*'s full acquisition and possession of these assets and corresponding adjustments to transmission charges effective December 2021.

On December 15, 2016, *MERALCO* and *TransCo* filed a joint application for the approval of the Batch 3 contract to sell with the *ERC*. Hearings were conducted on August 10, 2018 and October 15, 2018. The *ERC* has yet to set the next hearing of the case.

FiT

Pursuant to *RA* No. 9513, or the Renewable Energy Act of 2008 ("*RE* Act"), the *ERC* issued Resolution No. 16, Series of 2010, Adopting the *FiT* Rules, on July 23, 2010. As defined under the *FiT* Rules, the *FiT* system is a renewable energy policy that offers guaranteed payments on a fixed rate per *kWh* for electricity from wind, solar, ocean, hydropower and biomass energy sources, excluding any generation for own use.

To fund the *FiT* payments to eligible *RE* developers, a *FiT-All* charge shall be imposed on all end-users. The *FiT-All* will be established by the *ERC* upon petition by *TransCo*, which had been designated as the *FiT* Fund Administrator.

TransCo applied for *FiT-All* rates with the *ERC*, the *ERC* approval and status of applications are indicated in the table below:

Year	Applied Rate per *kWh*	Approved Rate per *kWh*	Date Approved / Status
2019	₱0.2780	₱0.0495	October 28, 2019
2020	₱0.2278	₱0.0983	November 23, 2020
2021	₱0.1881	₱0.0983	August 17, 2022
2022	₱0.3320 or ₱0.3165 (alternative rate in consideration of *Covid-19*)	₱0.0364	August 30, 2022
2023	₱0.2382	₱0.0838	March 20, 2024
2024	₱0.0867	₱0.1189	February 19, 2025
2025	₱0.1006	₱0.2073	October 22, 2025
2026	₱0.1488	₱0.2011	December 26, 2025

The *FiT* regime has been subject to various regulatory and judicial actions including periodic rate adjustment and temporary suspension of collections.

Renewable Portfolio Standards (RPS)

In accordance with the *RE* Act, the *DOE* issued Department Circular No. DC2017-12-0015 "Promulgating the Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards for On-Grid Areas" or the *RPS* Rules on December 22, 2017. In compliance with the *RPS* Rules, *MERALCO* has been submitting its *RPS* form to the *DOE* on an annual basis. The *RPS* form contains *MERALCO*'s computation of its requirements, as well as plans to comply with the requirements. *MERALCO* was approved by *PEMC* as a mandated participant in the Renewable Energy Market, which has since commenced full commercial operations.

On May 23, 2022, the *DOE* issued Department Circular No. 2023-05-0015 "Prescribing the Amendments to Department Circular No. 2017-12-0015 or the Renewable Portfolio Standards (*RPS*)", increasing the minimum annual *RE* increment (*Km*) from one percent (1%) to 2.52% starting 2023 compliance year to meet the aspirational targets of increasing the *RE* share in the power generation mix. *MERALCO* fully complies with its *RPS* obligations while minimizing the rate impact to its customers.

Green Energy Option Program (GEOP)

Pursuant to the Renewable Energy Act, the *DOE* issued the rules and supplemental guidelines establishing the Green Energy Option Program ("*GEOP"*), while the *ERC* subsequently adopted the implementing rules. As of December 31, 2025, *MERALCO* has processed the switching of 657 customers to *GEOP*.

On January 26, 2026, the *DOE* issued Department Circular No. DC2026-01-002 "Promulgating the Revised Rules and Guidelines Governing the Implementation of the Green Energy Option Program ("*GEOP*")". The Department Circular expands *GEOP* eligibility by lowering the minimum threshold from 100 *kW* to 50 *kW*. It likewise introduces aggregation for end-users whose individual demand falls below 50 *kW*, allowing them to collectively participate in the program. However, unlike the Retail Aggregation Program ("*RAP*"), *GEOP* aggregation is limited to participants located within a contiguous area. The Department Circular takes effect fifteen (15) days after its publication on February 6, 2026 in the Daily Tribune and BusinessWorld.

Recovery of NPC Stranded Contract Costs

In an Order dated May 22, 2018, the *ERC* approved *PSALM*'s petition for the recovery of *NPC*'s stranded contract costs portion of the universal charge ("*UC-SCC*"). Accordingly, *PSALM* was authorized to recover the stranded contract costs for Luzon, Visayas and Mindanao grids totaling ₱8,547 million with a monthly rate of ₱0.1938 per *kWh* starting May 2018 billing period until the full amount has been recovered.

On January 14, 2019, *MERALCO* received a letter dated December 28, 2018 from *PSALM* advising *MERALCO* to cease the implementation of the collection of the ₱0.1938 per *kWh* for the recovery of the additional *SCC* effective January 2019 as it already recovered the full amount of the stranded contract costs. This was after *MERALCO* had already completed the billing program for January 2019. Accordingly, on February 6, 2019, *MERALCO* wrote the *ERC* proposing to reverse the said collections of the additional *UC-SCC*. On February 7, 2019, *MERALCO* received a letter from the *ERC* which allowed the full reversal of the subject *UC-SCC* in its February billing equivalent to ₱0.3876 per *kWh*, without prejudice to further validation by the *ERC* as to the final amounts due.

In its letter dated January 15, 2020, *MERALCO* informed the *ERC* that it accumulated additional total excess *UC-SCC* collections in the amount of ₱545 million and proposed to implement another refund to its customers in the amount of ₱0.1453 per *kWh* for the month of February 2020. In its letter dated February 6, 2020, the *ERC* directed *MERALCO* to implement the refund, subject to post-validation. *MERALCO* was then directed to provide additional information as well as status report to the *ERC* with respect to the implementation of refund. *MERALCO* implemented the refund starting its March 2020 billing.

On March 4, 2020, *MERALCO* received a letter dated March 3, 2020, directing it to comment on a petition filed by a consumer group which sought to stop the colletion of *UC-SCC* and stranded debts portion of the universal charge ("*UC-SD*") from consumers because of the Murang Kuryente Act. *MERALCO* filed its comment on March 16, 2020.

In a Decision dated April 10, 2019, the *ERC* approved with modification *PSALM*'s petition for the availment of the *NPC*'s stranded contract costs portion of the universal charge for calendar year 2014. *PSALM* is hereby authorized to recover the *UC-SCC* for Luzon, Visayas and Mindanao grids totaling ₱5,117 million with a monthly rate of ₱0.0543 per *kWh* within a period of 12 months.

In separate Orders dated May 28, 2020, the *ERC* dismissed *PSALM*'s petitions for the availment of the *NPC*'s stranded contract costs portion of the universal charge for calendar years 2015 to 2018 due to the promulgation of the Murang Kuryente Act.

Net Metering Program

The *RE* Act mandates the *DU*s to provide the mechanism for the "physical connection and commercial arrangements necessary to ensure the success of the *RE* programs", specifically the Net Metering Program. The *RE* Act defines Net Metering as "a system, appropriate for distributed generation, in which a distribution grid user has a two-way connection to the grid and is only charged for his net electricity consumption and is credited for any overall contribution to the electricity grid". By their nature, net metering installations will be small (less than 100 *kW*) and will likely be adopted by households and small business end-users of *DU*s.

The *ERC* issued on July 3, 2013 its Resolution No. 09, Series of 2013, entitled, "A Resolution Adopting the Rules enabling the Net Metering Program for Renewable Energy". The Rules will govern the *DU*s' implementation of the Net Metering Program. Included in the Rules are the interconnection standards that shall provide technical guidance to address engineering, electric system reliability, and safety concerns for net metering interconnections. However, the final pricing methodology to determine the rate at which energy exported back to the distribution system by Net Metering Program participants will be addressed in another set of rules by the *ERC* in due course. In the meantime, the *DU*s' blended generation cost equivalent to the generation charge shall be used as the preliminary reference price in the net metering agreement. The Rules took effect on July 24, 2013. Under *ERC* Resolution No. 6, Series of 2019, entitled, "A Resolution Adopting the Amendments to the Rules enabling the Net Metering Program for Renewable Energy", the *ERC* adopted amendments to the Net Metering Rules. On June 23, 2020, the *ERC* issued Resolution No. 5, Series of 2020 entitled, "A Resolution Clarifying *ERC* Resolution No. 6, Series of 2019, entitled "A Resolution Adopting the amendments to the Rules Enabling the Net-Metering Program for Renewable Energy". As at December 31, 2025, *MERALCO* has already installed 19,389 meters and energized 19,299 net metering customers.

Interruptible Load Program ("*ILP*")

In an *ERC* Order dated April 11, 2014, the *ERC* approved with modification *MERALCO*'s request that it be allowed to adopt and implement the *ILP*. *ILP* protocols, compensation and recovery mechanism are governed by *ERC* Resolution No. 5, Series of 2015 "A Resolution Adopting the Amended Rules to Govern the Interruptible Load Program", *DOE* Circular No. DC2015-06-0003 "Providing the Interim Manner for Declaring Bilateral Contract Quantities in the Wholesale Electricity Spot Market and Directing the Philippine Electricity Market Corporation to Establish Necessary Protocols to Complement the Interruptible Load Program" and *ERC* Resolution No. 3, Series of 2019 "A Resolution Clarifying Section 3, Article III of the Amended Interruptible Load Program Rules".

As at December 31, 2025, there are 105 companies with a total committed de-loading capacity of 524.38 *MW* that have signed up with *MERALCO, MPower* and with other retail electricity suppliers as *ILP* participants.

Long-Term Indebtedness Application

On June 25, 2015, *MERALCO* filed an application, with prayer for provisional authority, for continuing authority to (a) issue bonds or other evidence of indebtedness for as long as it maintains 50:50 long-term debt to equity ratio; and (b) whenever necessary, to mortgage, pledge or encumber any of its property to any creditor in connection with its authority to issue bonds or any other evidence of long-term indebtedness. *MERALCO* filed a Motion to withdraw the application without prejudice to its refiling at a later date. In an Order dated March 22, 2016, the *ERC* granted *MERALCO*'s Motion to Withdraw but still required *MERALCO* to submit certain documents. *MERALCO* filed a Motion for Partial Reconsideration questioning the requirement which is pending before the *ERC*. As at February 25, 2026, the *ERC* has yet to resolve *MERALCO*'s Motion for Partial Reconsideration.

On October 29, 2019, *MERALCO* filed an application, with prayer for provisional authority, for continuing authority to (a) issue bonds or other evidence of indebtedness; and (b) whenever necessary, to mortgage, pledge or encumber any of its property to any creditor in connection with its authority to issue bonds or any other evidence of long-term indebtedness. *MERALCO* filed a Motion to Withdraw the Application which was granted by the *ERC* in its Order dated September 8, 2025.

CSP Requirement for PSAs

On July 19, 2023, the *DOE*'s new *CSP* policy under Department Circular No. DC2023-06-0021 ("*2023 CSP Circular*") took effect. The *2023 CSP Circular* requires issuance by *DOE* of a Certificate of Conformity prior to commencement of a CSP. It is also provided that *CSP*s shall be consistent with the latest and duly accepted *DDP* and posted *PSPP*.

On October 23, 2023, the *ERC* promulgated its *Resolution No. 16, Series of 2023 ("ERC CSP Guidelines").* The *ERC CSP Guidelines* provided for a maximum term of *PSA*s of ten (10) years for financial *PSA*s, fifteen (15) years for physical *PSA*s and twenty (20 years) for physical *PSA*s where the nominated plants are renewable energy power plants. *PSA* templates, containing minimum terms and conditions, for financial and physical *PSA*s were also provided in the *ERC CSP Guidelines. DU*s may include additional contractual terms and conditions in their *PSA*s consistent with their terms of reference and the *ERC CSP Guidelines.* Under the *ERC CSP Guidelines*, the entire process of the *CSP*, including the award of contract, shall be completed within one hundred eighty (180) calendar days from the first publication of the Invitation to Bid.

Under the *ERC CSP Guidelines*, direct negotiation is allowed after at least two (2) failed *CSP*s.

Termination of the *PSA*, other than due to expiration of the term, requires approval by the *ERC* under the *ERC CSP Guidelines.*

EPSAs are allowed to be immediately executed and implemented under the *ERC CSP Guidelines* provided certain conditions are present.

SC Petitions on CSP

On September 5, 2019, representatives of the *Bayan Muna* partylist filed a petition with the *SC* claiming that the *2018 DOE Circular*, which repealed portions of the *2015 CSP Circular*, is void for violating policies/provisions intended to protect consumers under *EPIRA* and the Constitution (the "*Bayan Muna Petition*"). The *Bayan Muna Petition* also sought for the issuance of *TRO* and/or writ of preliminary injunction to prevent continuation of the on-going *CSP*s of *MERALCO* and some electric cooperatives. On December 17, 2019, *MERALCO* filed its Comment to the *Bayan Muna Petition*. As at February 25, 2026, the Petition remains pending before the *SC*.

True-up Adjustments of Fuel and Purchased Power Costs ("TAFPPC") and Foreign Exchange-Related Costs ("TAFxA")

On June 20, 2017, the *ERC* issued a consolidated Decision in *ERC* Case Nos 2011-115 RC, 2012-067 RC, 2013-092 RC, 2014-098 RC and 2015-124 RC authorizing *PSALM* to recover, within a 60-month period, the amount of ₱3,592 million in the Luzon grid, among others, as part of the *TAFPPC* and *TAFxA*; and directed all distribution utilities to comply with the directive.

On January 10, 2018, *MERALCO* filed a Motion for Partial Reconsideration. In February 2023, the amount was fully refunded. As at February 25, 2026, the *ERC* has yet to act on the Motion.

Clean Air Act

The Clean Air Act and the related *IRR* contain provisions that have an impact on the industry as a whole and to *TPC*, *PPC*, *GRPI*, *PEDC* and *CEDC* ("the Operating Subsidiaries of *GBPC*") in particular, that need to be complied with within 44 months from the effectivity date or by July 2004. Based on the assessment made on the Operating Subsidiaries of *GBPC*'s existing facilities, the Operating Subsidiaries of *GBPC* believe that they have complied with the provisions of the Clean Air Act and the related *IRR*.

Energy Regulation (ER) 1-94

Based on *ER 1-94* and the *IRR* of the *EPIRA*, generation companies are mandated to provide benefits to its host communities, equivalent to ₱0.01 per *kWh* of energy generated and sold. The operating subsidiaries of *GBPC* accrue the required benefits to their host community (included under "Trade payables and other current liabilities" account in the consolidated statements of financial position) prospectively from the date of effectivity of *ER 1-94*. Such amount accrued shall be remitted to the trust account of the host *LGU*s and *DU*s, subject to audit by the *DOE*. On October 25, 2025, the *DOE* released Department Circular No. DC2025-10-0023, entitled "Promulgating the Enhanced Policy to Rationalize the Provision of Benefits to Communities Hosting Energy Generation and Resource Development Facilities, Including Generating Facilities with Integrated Energy Storage System Facilities, Amending Rule 29 (A) of the Implementing Rules and Regulations of Republic Act No. 9136". In said Department Circular, *MGSP*s were exemptged from from *ER* financial obligations and generation companies' ER financial obligation was increased from P0.01 per *kWh* to P0.03 per *kWh*.

33. Notes to Consolidated Statements of Cash Flows

	2025			2024		
	Interest-bearing long-term financial liabilities	Notes payable	Dividends payable	Interest-bearing long-term financial liabilities	Notes payable	Dividends payable
	(Amounts in millions)					
Balance at beginning of year	**₱60,489**	**₱34,287**	**₱3,662**	₱71,863	₱27,583	₱3,219
Cash movements:						
Payments	**(9,101)**	**(18,309)**	**(29,167)**	(8,129)	(1,038)	(23,823)
Preferred stock redemption	**(2)**	**–**	**–**	(4)	–	–
Availments	**143,597**	**20,389**	**–**	6,523	7,742	–
Non-cash movements:						
Dividend declarations	**–**	**–**	**29,700**	–	–	24,266
Additions to debt issue cost	**(1,377)**	**–**	**–**	(34)	–	–
Amortization of debt issue cost	**132**	**–**	**–**	86	–	–
Effect of deconsolidation of *MIDC (Note 3)*	**–**	**–**	**–**	(9,749)	–	–
Amortization of fair value adjustment on interest-bearing long-term financial liabilities on the acquisition of *GBPC*	**(59)**	**–**	**–**	(67)	–	–
Balance at end of year	**₱193,679**	**₱36,367**	**₱4,195**	₱60,489	₱34,287	₱3,662

Below are the significant noncash transactions not included in the adjustments for income before tax in the consolidated statement of cash flows for the year ended December 31, 2025.

a. Recognition of subscription receivable of ₱12.1 billion representing the unpaid subscription price; a contingent liability of ₱8.4 billion, and a corresponding equity reserve of ₱4.1 billion, arising from the investment transaction with *Actis* in 2025 (see Notes 3, 16 and 22).

b. Reclassification of hedging reserve gain of ₱1.7 billion from *OCI* to investment account, following the completion of the investment transaction in *Chromite Holdings* in 2025 (see Notes 3, 8 and 27).

c. Recognition of an equity reserve amounting to ₱547.6 million arising from the difference between the redemption of shares and settlement of dividends of *Solar Philippines Tarlac* in 2025 (see Note 3 and 16).

d. Recognition of non-controlling interest and equity reserve amounting to ₱2,010.9 million and ₱189.1 million, respectively, following the change in management decision to proceed with the planned acquisition of 1.6 billion common shares of *SPNEC* in 2025 (see Note 3 and 16).

34. Event After the Financial Reporting Date

On February 25, 2026, the *BOD* of *MERALCO* approved the declaration of cash dividends of ₱16.672 a share to all shareholders of record as at March 26, 2026, payable on April 20, 2026.

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Manila Electric Company and Subsidiaries
Lopez Building, Ortigas Avenue
Barangay Ugong, Pasig City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Manila Electric Company and its subsidiaries (the Group) as at December 31, 2025 and 2024, and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated February 25, 2026. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed under "Supplementary Schedules" in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Roel E. Lucas
Partner
CPA Certificate No. 98200
Tax Identification No. 191-180-015
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 98200-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-095-2025, October 1, 2025, valid until September 30, 2028
PTR No. 10765069, January 2, 2026, Makati City

February 25, 2026

A member firm of Ernst & Young Global Limited

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Schedule A: Financial Assets
As at December 31, 2025
(Amounts in Millions Pesos)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Statement of Financial Position	Value based on Market Quotation at End of Reporting Period	Income Received and Accrued
Cash and cash equivalents:				
Cash in banks	not applicable	41,003	41,003	345
Cash equivalents	not applicable	68,025	68,025	2,503
Trade and other receivables:				
Electricity sold	not applicable	39,182	39,182	-
Energy generated	not applicable	5,416	5,416	-
Service contracts	not applicable	9,868	9,868	-
Subscription receivable	not applicable	12,109	12,109	-
Nontrade receivables	not applicable	2,031	2,031	-
Debt securities at amortized cost:				
Government securities	various	1,056	1,056	220
Private debt securities	various	32	32	5
Financial assets at FVOCI:				
Corporate bonds	various	777	777	195
Ordinary and club shares	various	2,454	2,454	-
Other financial assets:				
Derivative asset	not applicable	524	524	-
Short-term investments	not applicable	140	140	1
		182,617	**182,617**	**3,269**

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Schedule C: Accounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
As at December 31, 2025
(Amounts in Millions Pesos)

Name of Related Party	January 1, 2025	Additions	Collections	Others	Amount written off	Current	Noncurrent	December 31, 2025
Vantage Energy Solutions and Management, Inc.	525	5	(83)	-	-	447	-	447
Meralco Industrial Engineering Services Corporation	263	9	(30)	-	-	242	-	242
Meralco Energy Inc.	101	3	(2)	-	-	102	-	102
Meralco Financial Services Corporation	100	-	(10)	-	-	90	-	90
MSpectrum, Inc.	52	-	(1)	-	-	51	-	51
Comstech Integration Alliance, Inc.	72	3	(31)	-	-	44	-	44
Movem Electric Inc.	-	43	-	-	-	43	-	43
Miescor Logistics, Inc.	26	18	(7)	-	-	37	-	37
Radius Telecoms, Inc.	40	119	(132)	-	-	27	-	27
Meralco Powergen Corporation	10	20	(3)	-	-	27	-	27
MRAIL, Inc.	17	-	-	-	-	17	-	17
Shin Clark	-	14	-	-	-	14	-	14
CIS Bayad Center Inc.	7	20	(16)	-	-	11	-	11
Clark Electric	-	8	-	-	-	8	-	8
Miescor Builders, Inc.	27	-	(22)	-	-	5	-	5
Customer Frontline Solutions Inc.	-	1	-	-	-	1	-	1
	1,240	**263**	**(337)**	**-**	**-**	**1,166**	**-**	**1,166**

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Schedule D: Interest Bearing Long-term Financial Liabilities
As at December 31, 2025
(Amounts In Million Pesos)

Title of issue and type of obligation	Interest Rate	Amount authorized by indenture	Amount shown under "Current portion of interest-bearing long-term financial liabilities" in the Consolidated Statement of Financial Position	Amount shown under "Interest-bearing long-term financial liabilities - net of current portion" in the Consolidated Statement of Financial Position
Fixed Rate Loans	4.70%-8.29%		2,833	79,806
Floating Rate Loans	*5.00%-7.23%*		3,057	108,172
Redeemable Preferred Stock	*10.00%* *		1,459	-
Total			7,349	187,978
Less Unamortized debt issue cost			201	1,447
Balance at the end of the year			**7,148**	**186,531**

Note: The number of periodic payments of the fixed rate loans are disclosed in Note 17 - Interest-bearing Long-term Financial Liabilities in the Consolidated Financial Statements.

* All of the redeemable preferred shares have been called as at June 30, 2011, consistent with the terms of the Preferred Shares Subscription Agreement. Accrued interests amounted to Php248 million as at December 31, 2025 and 2024. Interest is no longer accrued from the time such preferred shares were called for redemption.

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Schedule G. Capital Stock
As at December 31, 2025
(Number of shares in millions)

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common Stock	1,250	1,127	-	832	1	294

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

The Stockholders and the Board of Directors
Manila Electric Company and Subsidiaries
Lopez Building, Ortigas Avenue
Barangay Ugong, Pasig City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of Manila Electric Company and its subsidiaries (the Group) as at December 31, 2025 and 2024, and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated February 25, 2026. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Group's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic consolidated financial statements. This has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Roel E. Lucas
Partner
CPA Certificate No. 98200
Tax Identification No. 191-180-015
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 98200-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-095-2025, October 1, 2025, valid until September 30, 2028
PTR No. 10765069, January 2, 2026, Makati City

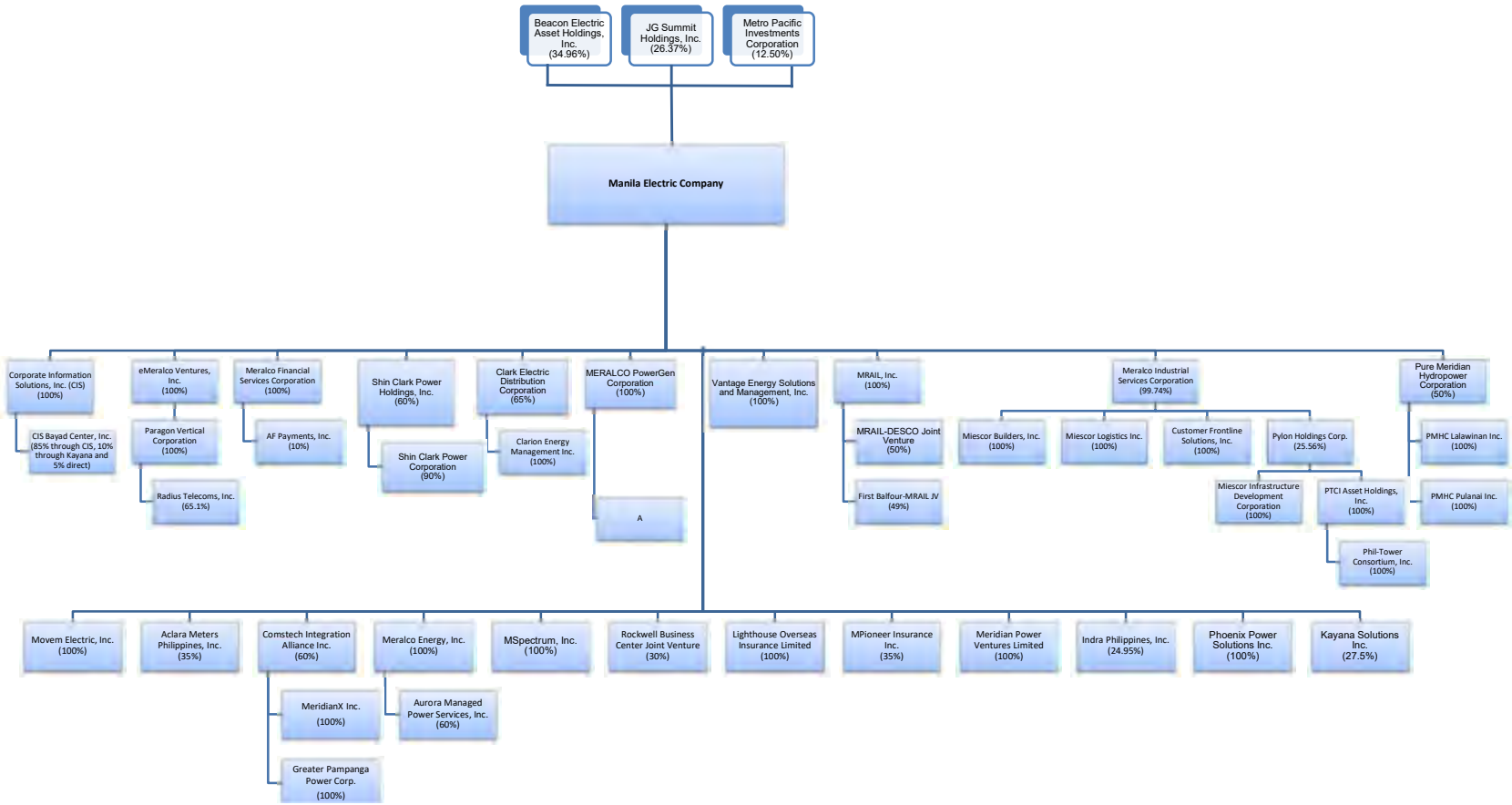
February 25, 2026

A member firm of Ernst & Young Global Limited

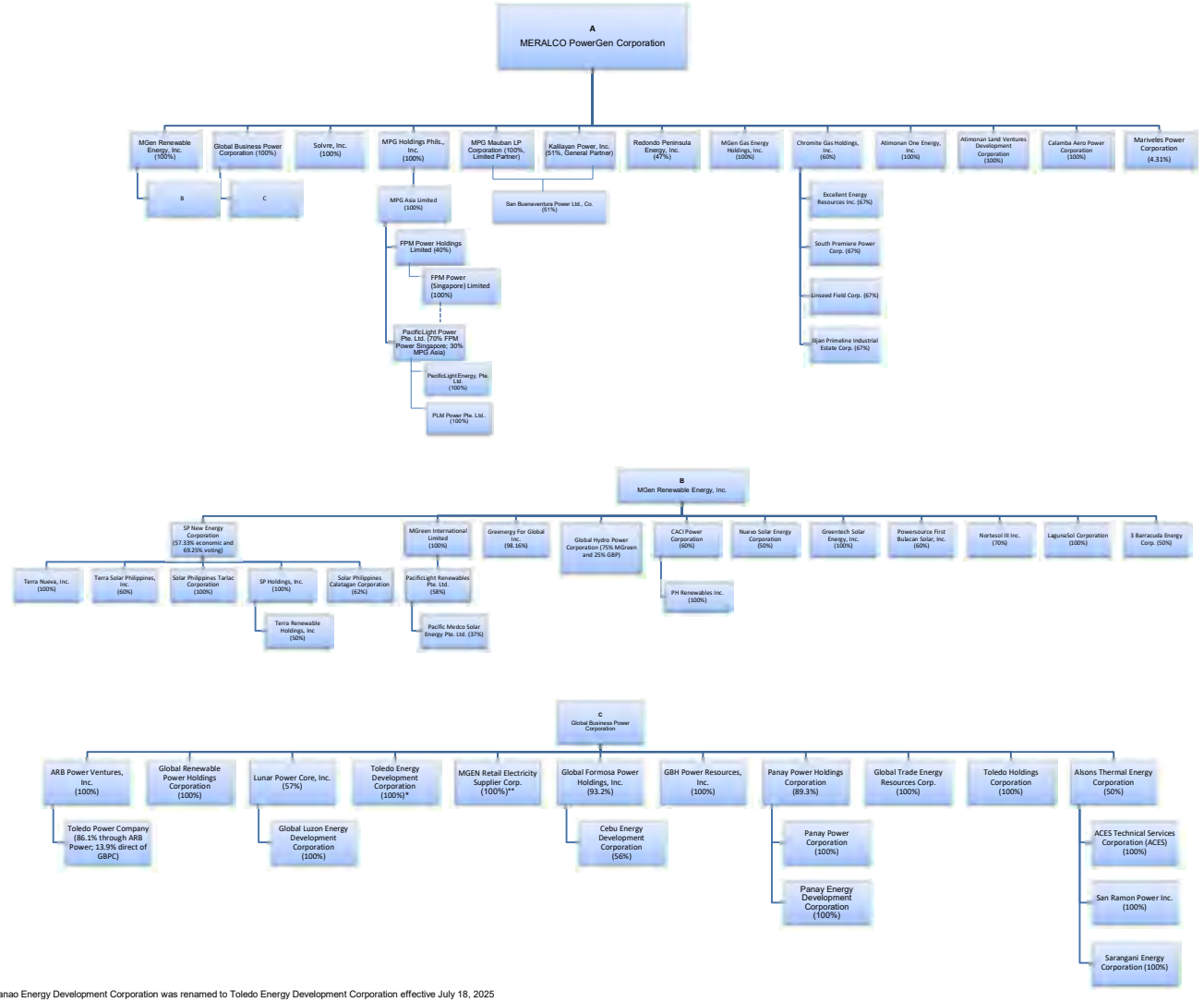
MANILA ELECTRIC COMPANY
Schedule H: Reconciliation of Retained Earnings Available for Dividend Declaration
As at December 31, 2025
(Amounts in millions)

Unappropriated retained earnings, as adjusted to available for dividends declaration as at January 1, 2025		₱ 30,478
Less: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting year		28,250
Unappropriated retained earnings, as adjusted		2,228
Add: Net income during the year		35,408
Less: Unrealized income recognized in the profit or loss during the reporting year (net of tax)		
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents		196
Add: Unrealized income recognized in the profit or loss in prior reporting year but realized in the current year (net of tax)		
Realized foreign exchange gain, except those attributable to cash and cash equivalents		350
Adjusted net income		37,790
Add: Non-actual losses recognized in profit or loss during the reporting year (net of tax)		
Depreciation of revaluation increment on utility plant and others	208	
Impact of discounting on certain liabilities	592	800
Less: Others items that should be excluded from the determination of the amount of available for dividend distribution		
Net movement of deferred tax assets		(522)
Unapproriated retained earnings available for dividend declaration as at December 31, 2025		₱ 39,112

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Schedule I: Map Showing the Relationships among the Companies within the Group
As at December 31, 2025



MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Schedule I: Map Showing the Relationships among the Companies within the Group
As at December 31, 2025



*Mindanao Energy Development Corporation was renamed to Toledo Energy Development Corporation effective July 18, 2025
**Global Energy Supply Corporation was renamed to MGEN Retail Electricity Supplier Corp. effective Nov 18, 2025

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Manila Electric Company and Subsidiaries
Lopez Building, Ortigas Avenue
Barangay Ugong, Pasig City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Manila Electric Company and its subsidiaries (the Group) as at December 31, 2025 and 2024, and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated February 25, 2026. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) Accounting Standards and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2025 and 2024, and for each of the three years in the period ended December 31, 2025, and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Roel E. Lucas
Partner
CPA Certificate No. 98200
Tax Identification No. 191-180-015
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 98200-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-095-2025, October 1, 2025, valid until September 30, 2028
PTR No. 10765069, January 2, 2026, Makati City

February 25, 2026

A member firm of Ernst & Young Global Limited

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Schedule of Financial Soundness Indicators
As at December 31, 2025, 2024 and 2023

	2025	2024	2023
Current Ratio[(1)]	0.85 : 1.00	0.76 : 1.00	0.70 : 1.00
Acid ratio [(2)]	0.78 : 1.00	0.69 : 1.00	0.62 : 1.00
Solvency Ratio[(3)]	0.11 : 1.00	0.16 : 1.00	0.15 : 1.00
Debt to Equity Ratio[(4)]	1.33 : 1.00	0.66 : 1.00	0.81 : 1.00
Asset to Equity Ratio[(5)]	4.76x	4.27x	4.81x
Interest Coverage Ratio[(6)]	7.76x	10.96x	9.47x
Profit margin Ratio[(7)]	0.10x	0.10x	0.09x
Return on Equity [(8)]	0.30x	0.32x	0.31x
Return on Assets[(9)]	0.06x	0.07x	0.06x
EBITDA Margin[(10)]	17.56%	16.06%	14.73%

(1) Current ratio is measured as current assets divided by current liabilities.

(2) Acid ratio is measured as current assets minus inventory and prepayments divided by current liabilities.

(3) Solvency ratio is measured as net income plus non-cash expenses divided to total liabilities.

(4) Debt to equity ratio is measured as total debts divided to total equity attributable to equity holders of the parent.

(5) Asset to equity ratio is measured as total assets divided by total equity attributable to equity holders of the parent.

(6) Interest coverage ratio is measured as earnings before interest and taxes, divided by total interest and other financial charges.

(7) Profit margin ratio is computed by dividing net income attributable to equity holders of the parent with total revenues.

(8) Return on equity is measured as net income attributable to equity holders of the parent with total equity attributable to equity holders of the p

(9) Return on assets is measured as net income attributable to equity holders of the parent with total assets.

(10) EBITDA margin is measured as EBITDA divided by total revenues.

EBITDA is measured as net income excluding depreciation and amortization, impairment of noncurrent assets, interest and other financial charges, interest and other financial income, equity in net earnings or losses of associates and joint ventures, foreign exchange gains or losses, mark-to-market gains or losses, provision for income tax and other non-recurring gains or losses, if any.

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
Supplementary Schedule of External Auditor Fee - Related Information
As at December 31, 2025 and 2024
Amounts in Millions Pesos

	2025	2024
Total Audit Fees	**26.9**	**24.8**
Non-audit services fees:		
Other assurance services *	1.4	1.8
Tax services	-	-
All other services	9.6	0.2
Total Non-audit Fees	**11.0**	**2.0**
Total Audit and Non-audit Fees	**37.9**	**26.8**

*includes Audit of financial statements prepared in accordance with the requirements of the Business Separation and Unbundling Plan of the ERC and Audit of universal charge reports as required by PSALM and quarterly reviews for SPNEC.

MERALCO

ANNEX "J"

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S.S.

CERTIFICATION

I, **WILLIAM S. PAMINTUAN**, of legal age, Filipino, in my capacity as the duly elected, qualified and incumbent Assistant Corporate Secretary of Manila Electric Company (the "Company"), a corporation duly organized and existing under and by virtue of the laws of the Philippines, do hereby certify under oath that the Company has no directors or officers connected with any government agencies or instrumentalities.

IN WITNESS WHEREOF, I have set my hand and affixed the corporate seal of the Company at Pasig City, Philippines, this APR 2 8 2026 day of April 2026.

[redacted]
WILLIAM S. PAMINTUAN
Assistant Corporate Secretary

SUBSCRIBED AND SWORN TO before me in Pasig City this APR 2 8 2026 day of April 2026, affiant exhibited to me his [redacted] issued in [redacted] on [redacted] and [redacted] as his competent evidence of identity.

Doc No. 269;
Page No. 55;
Book No. XIII;
Series of 2026.
Documentary Stamp Tax No. 0058319

APR 2 8 2026

ATTY. CRISTOPHER B. ARPON
NOTARY PUBLIC
ROLL NO. 41620
PASIG & PATEROS, PHILIPPINES

ATTY. [redacted]RPON
For and in Pasig and Pateros
Appointment No. 33 (2025-2026) December 10, 2024
At Pasig City until December 31, 2026
Roll No. 41620/ IBP No. 588762, 12/17/2025, RSM Chapter
PTR No. 3915413, 1/5/2026, Pasig City
MCLE VIII-0003630 - 04/14/2028
8th Floor Lopez Bldg. Ortigas Avenue, Pasig City

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S.S.

ANNEX "K"

SECRETARY'S CERTIFICATE

I, **WILLIAM S. PAMINTUAN**, of legal age, Filipino, in my capacity as the duly elected, qualified and incumbent Assistant Corporate Secretary of Manila Electric Company (the "Company"), a corporation duly organized and existing under and by virtue of the laws of the Philippines, declare under penalty of perjury that all matters set forth in this Amended Definitive Information Statement ("SEC Form 20-IS") have been made in good faith, duly verified by me and to the best of my knowledge and belief are true and correct.

I hereby attest that all the information in this SEC Form 20-IS are being submitted in compliance with the rules and regulations of the Securities and Exchange Commission (the "Commission"), the collection, processing, storage and sharing of said information being necessary to carry out the functions of public authority for the performance of the constitutionality and statutorily mandated functions of the Commission as a regulatory agency.

I further attest that I am duly authorized by the Board of Directors of the Company to file this SEC Form 20-IS with the Commission.

IN WITNESS WHEREOF, I have set my hand and affixed the corporate seal of the Company at Pasig City, Philippines, this 01 JUN 2026 day of June 2026.

[redacted]
WILLIAM S. PAMINTUAN
Assistant Corporate Secretary

SUBSCRIBED AND SWORN TO before me in Pasig City this 01 JUN 2026 day of June 2026, affiant exhibited to me his [redacted] with [redacted] issued in [redacted] on [redacted] and valid until [redacted] as his competent evidence of identity.

Doc No. 7;
Page No. 3;
Book No. XXXI;
Series of 2026.
Documentary Stamp Tax No. 12723220.

ATTY. CORNELIO MANUEL H. C. DICCION, C.P.A. * NOTARY PUBLIC ROLL NO. 45053 * PASIG CITY & PATEROS, PHILIPPINES

[redacted]
ATTY. CORNELIO MANUEL H. C. DICCION, C.P.A.
Notary Public
Pasig and Pateros
Issued on February 9, 2026
Appointment No. 110 (2026-2027)
Roll No. 45053 / IBP Lifetime Member No. 19740 / RSM Chapter
PTR OR No. 3945397; Jan. 07, 2026; Pasig City
MCLE No. VIII-0006616; valid until 14 April 2028
8th Floor, Lopez Bldg., Ortigas Avenue, Pasig City

Manila Electric Company and Subsidiaries
Report of the Audit Committee
For the Year Ended December 31, 2025

ANNEX "L"

The Audit Committee was established by the Board of Directors in 1999 to assist the Board in fulfilling its oversight responsibilities to the Shareholders in the following areas:

- Integrity of the Company's financial statements and the financial reporting process;
- Appointment, remuneration, independence, and performance of Internal Audit and of the independent External Auditor; and the integrity of the audit processes;
- Effectiveness of the system of internal controls, enterprise risk management, and corporate governance processes;
- Compliance with applicable legal, regulatory, and other reporting requirements; and
- Year-End reporting for the approval of the Board and for its inclusion in the Company's Annual Report

The Audit Committee performed its duties and responsibilities in accordance with its Charter, following leading practices in corporate governance and in compliance with the Corporate Governance Code for publicly listed companies issued by the Philippine Securities and Exchange Commission (SEC) and other applicable regulations.

The Audit Committee is composed of three (3) independent non-executive directors, Mr. Artemio V. Panganiban, who sits as the Chairman, Dr. Lydia B. Echauz and Mr. Pedro E. Roxas, and four (4) non-executive directors namely, Ms. June Cheryl A. Cabal-Revilla, Mr. Patrick Henry C. Go, Mr. James L. Go, and Mr. Jose Ma. K. Lim. All the members of the Committee have professional qualifications and an adequate background in business, finance, law, management, and accounting.

The directors also hold membership positions in other Board-level Committees, allowing them to stay informed about key developments across business areas. Their involvement provides valuable insights and informed guidance on risk-taking and management activities, ensuring a comprehensive and well-integrated approach to internal controls, corporate governance, and risk-managed decision making.

The Audit Committee held six (6) meetings for 2025. Individual attendance of members at the meetings of the Audit Committee during the year is presented in the Corporate Governance Report of Meralco. After each meeting, the Chairman of the Audit Committee renders a report apprising the Board of Directors of the results of the matters deliberated upon by the Committee significant judgments exercised, and recommendations requiring Board approval, ensuring transparency and effective Board oversight.

The Audit Committee, in the discharge of its functions and duties, carried out the following activities:

A. On Financial Reporting

- Reviewed, discussed with Management, and approved the unaudited consolidated quarterly financial statements and the audited consolidated financial statements of the Company and its Subsidiaries, including Management's significant judgments, estimates and impact of new accounting standards and tax changes with respect to the Company's financial statements and analysis of financial condition and results of operation.

  The Committee also reviewed the External Auditor's Report on the audit of the annual financial statements and discussed key audit matters and other required communications with the Committee.

These actions were undertaken with the understanding that:

- Management has the primary responsibility for preparing financial statements and reporting processes.
- The independent External Auditor, SGV & Co. (SGV), is responsible for expressing an opinion on the conformity of the Company's Audited Consolidated Financial Statements with the Philippine Financial Reporting Standards (PFRS).
- Reviewed and approved Management's Representation Letter before its submission to the External Auditor.

B. On Internal and External Audit Processes

- Assessed the independence, performance, effectiveness, and qualifications of SGV, considering its credibility, competence, ability to understand complex transactions and the adequacy of its quality control procedures. Based on this assessment, the Committee endorsed the re-appointment of SGV to the Board of Directors and the Shareholders as the independent External Auditor of the Company for the ensuing year.
- Reviewed and approved the audit plan and scope of work of SGV for the audit of the 2025 Annual Financial Statements, including the audit strategy, areas of significant risk, and reliance on component auditors, to ensure adequate coverage of key risks and compliance with applicable auditing standards.
- Reviewed and approved SGV's fees for all audit, audit-related, and non-audit services in Meralco and selected subsidiaries as endorsed by Management.
- Reviewed, discussed, and approved the results of the SGV's external audit, its assessment of the Company's internal controls, and the quality of the financial reporting process.
- Reviewed the Management Letter issued by SGV after the completion of the audit of the Financial Statements of the preceding year.
- Held separate executive sessions with the Chief Audit Executive and SGV without the presence of Management.
- Reviewed and approved the Annual Internal Audit Plan, the related key performance indicators, and all subsequent changes to the Internal Audit Plan, as needed.

- Reviewed and discussed the results of audits as reported by the Chief Audit Executive in her quarterly and year-end status reports to the Committee with respect to the evaluation of the system of internal controls, overall quality of the financial reporting process, risk management, and governance.
- All audit activities performed by Internal Audit were conducted in accordance with the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA). This includes Global Internal Audit Standards, Topical Requirements, and Global Guidance.
- Monitored Management's timely implementation of appropriate corrective actions to address the audit issues and recommendations of Internal Audit and the External Auditor.
- Reviewed and discussed the Internal Audit Annual Performance Report, including the Quality Assurance and Improvement Program Annual Report to evaluate the effectiveness of the Internal Audit function.

C. On Internal Control and Compliance with Laws and Regulations

- Reviewed and discussed updates on investigations, recoveries from losses and appropriate actions of the Management.
- Reviewed Management's mid-year and annual confirmation statement on the adequacy and effectiveness of the Company's internal control and risk management system, which was based on the annual risks & controls assessment validated by Internal Audit.
- Reviewed and evaluated the Company's internal control system based on the assessments completed by Internal Audit, SGV, Cybersecurity, Data Privacy Compliance, and matters delegated by the Board of Directors. The Committee is satisfied with the overall system in place and found this to be adequate and effective.
- Reviewed and monitored compliance and adherence by the Company with all applicable laws and regulations pursuant to which the Company conducts its operations and business activities. This includes reviewing the state of legal compliance with respect to labor laws & regulations, data privacy, and the reportorial requirements of regulatory agencies.

D. Other Governance and Oversight Activities

- Performed self-assessments and reviewed the overall effectiveness of its performance vis-à-vis its Charter and the expectations of the Board of Directors, Management and Shareholders in accordance with the guidelines of SEC Memorandum Circular No. 19 Series of 2016 and the Corporate Governance Manual. The assessment showed full compliance and alignment with governance best practices and leading corporate governance standards.
- Engaged select members of Senior Management, including heads of subsidiaries, to provide updates to the Committee on new investments and acquisitions, the performance of investments and subsidiaries, risk mitigation or remediation for the noted audit items, and the developments of their strategic directions and overall results.
- Reviewed and approved the Audit Committee agenda and calendar for the year.

- Reviewed and confirmed the continued validity of the Audit Committee and Internal Audit Charters until the next annual review. The Audit Committee Charter complies with the Securities and Exchange Commission Memo Circular No. 04 (2012).
- Reviewed and approved the Internal Audit Oversight Framework for subsidiaries, formalizing the Group CAE's oversight role to ensure consistent audit practices, effective coordination, and alignment with Global Internal Audit Standards.
- Advised on the Enterprise Risk Management updates and major risk exposures on a semi-annual basis through the attendance of the meetings of the Risk Management Committee of which the majority are also members.

Based on the reviews undertaken, and discussions with Management and SGV, and subject to the limitations on the Committee's roles and responsibilities, the Audit Committee recommended to the Board of Directors the approval and inclusion of the Company's Audited Consolidated and Parent Company's Financial Statements in the Company's Annual Report to the Stockholders for the year ended December 31, 2025, and the filing thereof with the Philippine Securities and Exchange Commission. This recommendation reflects the Committee's assurance on the integrity of the financial statements, effectiveness of internal controls, compliance with laws and regulations, and the quality of the internal and external audit processes.

February 19, 2026

On behalf of the Audit Committee:

Retired Chief Justice ARTEMIO V. PANGANIBAN
Chairman, Audit Committee

The following document has been received:

ANNEX "M"

Receiving: DONNA ENCARNADO
Receipt Date and Time: May 15, 2026 04:53:02 PM

Company Information

SEC Registration No.: PW00000102
Company Name: MANILA ELECTRIC CO.
Industry Classification: E40100
Company Type: Stock Corporation

Document Information

Document ID: OST105152026811386505
Document Type: Quarterly Report
Document Code: SEC_Form_17-Q
Period Covered: March 31, 2026
Submission Type: Original Filing
Remarks: None

Acceptance of this document is subject to review of forms and contents

COVER SHEET

SEC Registration Number

P	W	-	1	0	2							

Company Name

M	A	N	I	L	A		E	L	E	C	T	R	I	C		C	O	M	P	A	N	Y		A	N	D			
S	U	B	S	I	D	I	A	R	I	E	S																		

Principal Office (No./Street/Barangay/City/Town/Province)

L	O	P	E	Z		B	U	I	L	D	I	N	G	,		O	R	T	I	G	A	S		A	V	E	N	U	E
B	A	R	A	N	G	A	Y		U	G	O	N	G	,		P	A	S	I	G		C	I	T	Y	,			
M	E	T	R	O		M	A	N	I	L	A	,		P	H	I	L	I	P	P	I	N	E	S					

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
N/A	86312222/ 816220	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
39,970	Last Tuesday of June	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. William Pamintuan	wspamintuan@meralco.com.ph	8632-8014	N/A

Contact Person's Address

Lopez Building, Ortigas Avenue, Pasig City

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.2(c) THEREUNDER

1. **For the Quarterly Period Ended:** March 31, 2026

2. **SEC Identification Number:** PW-102

3. **BIR Tax Identification Code:** 000-101-528-000

4. **Name of Issuer as specified in its Charter:** Manila Electric Company

5. **Country of Incorporation:** Philippines

6. **Industry Classification:** (SEC use only)

7. **Address of principal office:** Lopez Building, Ortigas Avenue, Barangay Ugong, Pasig City
   Postal Code: 1605

8. **Issuer's telephone numbers including area code:** (02) 8632-8014

9. **Former name, former address and former fiscal year, if changed since last report:** Not Applicable

10. **Securities registered pursuant to Sections 18 and 12 of the SRC or Sections 4 and 8 of the RSA:**

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock	1,127,092,509

11. **Are any or all of these Securities listed on a Stock Exchange?**
    Yes [x] No [ ]

    If yes, the name of such Stock Exchange and the class/es of Securities:
    Philippine Stock Exchange / Common Stock

12. **Indicate by check mark whether the registrant:**

    a) Has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports):

    Yes [x] No [ ]

b) Has been subject to such filing requirements for the past ninety (90) days:

Yes [x] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The 3M 2026 Financial Statements is hereto attached and made integral part of this report.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Please refer to the attached 3M 2026 Management's Discussion and Analysis of Financial Condition and Results of Operations.

PART II – FINANCIAL INFORMATION

Not applicable.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA ELECTRIC COMPANY
Issuer

[redacted]
WILLIAM S. PAMINTUAN
Senior Vice President
Assistant Corporate Secretary and
Information Disclosure Officer

[redacted]
BETTY C. SIY-YAP
Senior Vice-President and
Chief Finance Officer

Date: May 15, 2026

cc: Disclosure Department
Listings and Disclosure Group
Philippine Stock Exchange

Management's Discussion and Analysis of Financial Position and Results of Operations

The following discussion and analysis of financial position and results of operations of Manila Electric Company ("*MERALCO*") and its subsidiaries, collectively referred to as the *"MERALCO Group*" should be read in conjunction with the unaudited interim consolidated financial statements as at March 31, 2026 and December 31, 2025 and for the three months ended March 31, 2026 and 2025. The consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (*"PFRS")* Accounting Standards.

The financial information appearing in this report and in the accompanying unaudited interim consolidated financial statements is presented in Philippine peso, *MERALCO Group'*s functional and presentation currency, as defined under *PFRS* Accounting Standards. The exchange rate used to translate U.S. dollar to Philippine peso in this report and in the accompanying unaudited interim consolidated financial statements is US$1.00 to ₱60.75, the closing rate as at March 31, 2026 quoted through the Philippine Dealing System.

Financial Highlights and Key Performance Indicators
(amounts in million, except earnings per share, and operational data)

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)	Increase (Decrease) Amount	Increase (Decrease) %
Condensed Statements of Financial Position				
Total assets	₱829,790	₱823,879	₱5,911	1
Current assets	212,060	213,224	(1,164)	(1)
Cash and cash equivalents	112,896	109,317	3,579	3
Equity attributable to equity holders of the parent	166,345	173,137	(6,792)	(4)
Total debt	238,140	230,046	8,094	4
Current liabilities	248,242	252,050	(3,808)	(2)
Total liabilities	612,919	600,355	12,564	2

	Unaudited			
	Three Months Ended March 31		Increase (Decrease)	
	2026	2025	Amount	%
Condensed Statements of Income				
Revenues	₱120,779	₱114,511	₱6,268	5
Costs and expenses	110,496	103,060	7,436	7
Other income, net of expenses	2,760	1,416	1,344	95
Income before income tax	13,043	12,867	176	1
Net income	11,165	10,947	218	2
Net income attributable to equity holders of the parent	10,833	10,448	385	4
Earnings per share ("*EPS*"), attributable to equity holders of the parent	9.61	9.27	0.34	4
Condensed Statements of Cash Flows				
Net cash provided by operating activities	3,474	9,721	(6,247)	(64)
Net cash used in investing activities	(8,890)	(94,135)	85,245	(91)
Net cash provided by financing activities	9,037	103,114	(94,077)	(91)
Operational Data				
Number of customers (in thousands):				
Residential	7,635	7,469	166	2
Commercial	609	598	11	2
Industrial	11	11	–	–
Streetlight	5	5	–	–
Electricity sales volume (in *GWh*)	12,273	12,493	(220)	(2)
System loss (in percentage) :				
MERALCO	5.72	6.04	(0.32)	(5)
Clark Electric Distribution Corporation ("*Clark Electric*")	1.83	2.08	(0.25)	(12)

The Key Performance Indicators ("*KPI*") of *MERALCO* are as follows:

Financial KPI	Definition	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Debt to Equity	$\frac{\text{Total debt}}{\text{Equity attributable to equity holders of the parent}}$	1.43	1.33
Current Ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	0.85	0.85

		Unaudited	
		Three Months Ended March 31	
		2026	2025
Core EBITDA	*CCNI* excluding depreciation and amortization, interest and other financial charges, interest and other financial income, and provision for income tax	₱25,399	₱9,435
Profit Margin	$\frac{\text{Net income attributable to equity holders of the parent}}{\text{Revenues}}$	9%	9%
Return on Equity	$\frac{\text{Net income attributable to equity holders of the parent}}{\text{Equity attributable to equity holders of the parent}}$	7%	7%
Asset Turnover	$\frac{\text{Revenues}}{\text{Average total assets}}$	15%	17%

OVERVIEW

The businesses of *MERALCO* and its subsidiaries (the "*MERALCO Group*") consist of certain unregulated and regulated segments of the energy supply chain. The regulated business segment covers the electricity distribution business of *MERALCO*, Clark Electric Distribution Corporation ("*Clark Electric*"), and Shin Clark Power Corporation ("*Shin Clark Power*"). On the other hand, the unregulated businesses consist of power generation; retail electricity supply ("*RES*"); engineering design, construction and consultancy, payment fulfilment, bills collection and fintech, after-the-meter and energy management, insurance and reinsurance; electric mobility; and telecommunication and information technology services.

MERALCO holds a 25-year congressional franchise under Republic Act ("*RA*") No. 9209 valid through June 28, 2028 to construct, operate, and maintain the electric distribution system in the cities and municipalities of Bulacan, Cavite, Metro Manila, and Rizal and certain cities, municipalities and barangays in the provinces of Batangas, Laguna, Pampanga, and Quezon. The Energy Regulatory Commission ("*ERC*") granted *MERALCO* a consolidated Certificate of Public Convenience and Necessity ("*CPCN*") for the operation of electric service within its franchise area, which shall be valid within the franchise period. The franchise of *MERALCO* has been renewed for another 25 years through 2053 under *RA* No. 12146, "An Act Renewing for another twenty-five (25) years the Franchise Granted to the Manila Electric Company" under *RA* No. 9209, entitled "An act granting the Manila Electric Company a franchise to construct, operate and maintain a distribution system for the conveyance of electric power to the end-users in the Cities/Municipalities of Metro Manila, Bulacan, Cavite and Rizal, and certain Cities/Municipalities/Barangays in Batangas, Laguna, Quezon and Pampanga".

The operating businesses are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and/or services, as follows:

- Power

  The power segment consists of (a) electricity distribution, (b) power generation and (c) retail electricity supply ("*RES*").

  Electricity distribution – This principally covers the distribution of electricity and the supply of power on a pass-through basis to captive customers within the franchise areas of *MERALCO*, Clark Electric Distribution Corporation ("*Clark Electric"*) and Shin Clark Power Corporation ("*Shin Clark Power")*. Electricity distribution within *MERALCO* franchise area accounts for approximately 50% of the country's total power requirements. *Clark Electric*'s franchise area covers the Clark Special Economic Zone and its sub-zones, while *Shin Clark Power*'s franchise covers the New Clark City ("*NCC*").

  Shin Clark Power Holdings, Inc. *("Shin Clark")* pursuant to a Joint Venture Agreement ("*JVA*") with Bases Conversion and Development Authority ("*BCDA*"), manages the development, operation, and maintenance of the electric power distribution system in the 9,450-hectare *NCC* located within the Clark Special Economic Zone in the towns of Capas and Bamban, Tarlac. The franchise to operate the electric distribution system in *NCC* was granted by Congress to *BCDA* under Republic Act No. 11420*,* and was subsequently assigned to *Shin Clark Power* in exchange for a 10% equity interest. *Shin Clark Power* is incorporated and registered with the Securities and Exchange Commission ("*SEC*"), and has a Certificate of Public Convenience and Necessity issued by the Enery Regulatory Commission ("*ERC")* to operate as a distribution utility ("*DU")* for a period of 25 years.

  MERALCO also manages the electric distribution facilities of Pampanga Electric Cooperative II ("*PELCO II*") through Comstech Integration Alliance, Inc ("*Comstech*") under an Investment Management Contract ("*IMC*"). *MERALCO* also manages the electric distribution facilities in the Cavite Economic Zone ("*CEZ*") under a 25-year concession agreement with the Philippine Economic Zone Authority ("*PEZA*").

  Power generation – The *MERALCO Group* has a combined net generating capacity of 5,069.7 *MW* of coal, liquid natural gas, renewable energy, and diesel-fired power plants located in the Philippines and Singapore. In addition, it is developing a total of 3,950 *MWp* of solar capacity.

  This portfolio includes the 455 *MW* (net) supercritical coal-fired plant in Mauban, Quezon operated by San Buenaventura Philippines Ltd. Company ("*SBPL*"), of which Meralco PowerGen Corporation *("MGen")* has a 51% interest.

Global Business Power Corporation *("GBPC")* owns 831 *MW* (net) of operating coal and diesel-fired power plants in the Visayas and Mindanao. This includes the 2 x 108.5 *MW* (net) Circulating Fluidized Bed ("*CFB*") plant in Maasim, Sarangani of Sarangani Energy Corporation ("*Sarangani Energy"*). *GBPC* has a 50% less one share interest in Alsons Thermal Energy Corporation ("*ATEC*"), which holds a 100% interest in *Sarangani Energy*.

MGen Renewable Energy, Inc. ("*MGreen*"), a wholly owned subsidiary of *MGen,* is engaged in the development, construction and operation of solar power facilities. *MGreen* holds a 60% equity interest in Powersource First Bulacan Solar, Inc. ("*First Bulacan*"), which owns and operates a 55 *MWac* utility-scale solar facility in San Miguel, Bulacan, under an *ERC*-approved *PSA* with *MERALCO* for a period of 20 years until April 2041.

In 2025, *MGreen* inaugurated the 52.7 *MWac* solar power plant of Greenergy For Global Inc.("*Greenergy*") and the 19.8 *MWac* solar power plant of Greentech Solar Energy, Inc.'s ("*GSEI*").

SP New Energy Corporation ("*SPNEC*"), through its subsidiaries Terra Solar Philippines, Inc. ("*MTerra Solar*") (60%) and Terra Nueva, Inc. ("*TNI*") (100%), are developing a 3.5-*GWp* solar power plant facility with a 4,500-*MWh* battery energy storage system. The project with the first phase involving 2,500 *MWdc* is expected to begin commercial operations in 2026 while the balance is due to be completed in 2027. *SPNEC* is 69.25% owned by *MGreen*.

MGen also secured confirmation from the Department of Energy's ("*DOE*") that the 1,200-*MW* ultra supercritical coal-fired power project of Atimonan One Energy, Inc.'s ("*A1E"*) remains a Committed Project and is outside the coverage of the coal moratorium policy.

PH Renewables Inc. *("PHRI")*, in partnership with Mitsui & Co.'s local unit Mit-Renewables Philippine Corporation, owns and operates the 80.1 *MWac* solar plant in Baras, Rizal ("*Baras Solar Plant*"). Separately, Nuevo Solar Energy Corporation ("*NSEC*"), a joint venture between *MGreen* and Vena Energy Solar PH B.V. ("*Vena Energy*"), owns and operates a 68.7 *MWac* solar plant project in Ilocos Norte.

MGreen also entered into an investment agreement with *Vena Energy*, for the development, construction and operation of the 450 *MWac* solar plant in Bugallon, Pangasinan through 3 Barracuda Energy Corporation ("*Barracuda Energy*"). On March 18, 2026, *NGCP* issued a Provisional Certificate of Approval to Connect ("*PCATC*") for *Barracuda Energy*'s 450 *MWac* solar power plant.

In addition, *MGen* and Therma NatGas, Inc. ("*TNGP*") entered into an Investment Agreement with the parties owning 60% and 40% interests in Chromite Gas Holdings, Inc. ("*Chromite Holdings*"), respectively.

Outside the Philippines, *MGen* holds a combined 58% (direct and indirect) interests in PacificLight Power Pte Ltd. ("*PacificLight Power*"), which owns and operates a 2 x 400 *MW LNG*-fueled combined cycle turbine power plant on Jurong Island, Singapore. In May 2025, *PacificLight Power* completed and commissioned a 100 *MW* fast-start *LNG* facility to provide ancillary services under a 25-year contract with Singapore's Energy Market Authority ("*EMA*"). In January 2025, *PacificLight Power* was awarded the right to develop a hydrogen-ready Combined Cycle Gas Turbine ("*CCGT*") facility with a capacity of at least 600 *MW*, scheduled to commence commercial operations in January 2029.

RES – This business segment sources and supplies electricity to qualified contestable customers. As distribution utilities, *MERALCO* and *Clark Electric* are also licensed to operate as local retail electricity suppliers within their respective franchise areas through their separate business units, *MPower* and *Cogent Energy*. Under the Retail Competition and Open Access ("*RCOA*") framework, qualified contestable customers may procure electricity from any licensed retail electricity supplier, including *MPower* and *Cogent Energy*.

Affiliate *RES* entities include Vantage Energy Solutions and Management, Inc. ("*Vantage*") and Phoenix Power Solutions, Inc. ("*Phoenix Power*"), wholly owned subsidiaries of *MERALCO*; MeridianX Inc. ("*MeridianX*"), a wholly owned subsidiary of *Comstech*; and MGen Retail Electricity Supplier Corporation ("*MGen RES*"), formerly Global Energy Supply Corporation ("*GESC*"), a wholly owned subsidiary of *GBPC,* are affiliate *RES*s. Clarion Energy Management Inc. ("*Clarion*"), a wholly owned subsidiary of

Clark Electric, was issued its *RES* license by the *ERC* on December 12, 2025, following the re-filing of its application and submission of updated requirements.

- Other Services

  The other services segment is involved principally in services associated with electricity distribution, such as, electro-mechanical engineering, construction, consulting and related manpower services, e-transaction and bills collection, telecommunications services, insurance and re-insurance, e-business development, power distribution management, energy systems management and harnessing renewable energy and electric vehicle and charging infrastructure solutions. These services are provided by *MIESCOR*, Miescor Builders, Inc. *("MBI")*, Miescor Logistics, Inc. *("MLI")* and Customer Frontline Solutions, Inc. ("*CFSI*") (collectively known as "*MIESCOR Group*"), Corporate Information Solutions, Inc. *("CIS")*, eMeralco Ventures, Inc. ("*e-MVI")*, Paragon Vertical Corporation *("Paragon")* and Radius Telecoms, Inc. *("Radius")* (collectively referred to as "*e-MVI Group*"), *Comstech*, Lighthouse Overseas Insurance Limited *("LOIL"),* Meralco Financial Services, Inc. *("Finserve")*, Meralco Energy, Inc. ("*MServ")*, MSpectrum, Inc. ("*Spectrum"*) and Movem Electric Inc. ("*Movem*").

Below is the summary of *MERALCO Group*'s business segments:

BUSINESS SEGMENTS	
Power	**Other Services**
Electricity distribution • *MERALCO* • *Clark Electric* • *Shin Clark Power* Power generation • *MGen* and subsidiaries *RES* • *MERALCO* through *MPower* business unit • *Clark Electric* through *Cogent Energy* business unit • *Clarion* • *MGen RES* • *MeridianX* • *Phoenix Power* • *Vantage*	• *CIS* • *Comstech* • *e-MVI Group* • *Finserve* • *LOIL* • *MIESCOR Group* • *MServ* • *Spectrum* • *Movem*

RESULTS OF OPERATIONS

The consolidated results of operations and the contribution of each business segment to *MERALCO Group*'s revenues, costs and expenses, other income, and net income for the three months ended March 31, 2026 and 2025 are discussed below.

	Unaudited			
	For the Three Months Ended March 31, 2026			
	Power	Other Services	Inter-segment Transactions	Consolidated
	(Amounts in millions)			
Revenues	₱118,097	₱4,978	(₱2,296)	₱120,779
Costs and expenses	108,547	3,860	(1,911)	110,496
Other income (expenses) - net	2,816	69	(125)	2,760
Net income attributable to equity holders of the parent	10,606	559	(332)	10,833

	Unaudited			
	For the Three Months Ended March 31, 2025			
	Power	Other Services	Inter-segment Transactions	Consolidated
	(Amounts in millions)			
Revenues	₱111,753	₱4,444	(₱1,686)	₱114,511
Costs and expenses	101,084	3,558	(1,582)	103,060
Other income (expenses) - net	1,467	34	(85)	1,416
Net income attributable to equity holders of the parent	10,690	257	(499)	10,448

2026 compared with 2025

REVENUES

The composition of *MERALCO Group'*s consolidated revenues by business segment is shown below.

	Unaudited					
	For the Three Months Ended March 31					
	2026		2025		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Power	₱118,097	98	₱111,753	97	₱6,344	6
Other services	4,978	4	4,444	4	534	12
Inter-segment transactions	(2,296)	(2)	(1,686)	(1)	(610)	36
Total	**₱120,779**	**100**	**₱114,511**	**100**	**₱6,268**	**5**

Consolidated revenues increased by 5% to ₱120,779 million from ₱114,511 million. The combined higher pass-through generation and transmission charges and increased revenue contributions from *MGen* drove the higher revenues in the first three months of 2026 compared with the same period in 2025. Distribution revenues were lower with the 2% decrease in energy sold and regulatory refunds.

Other services revenue grew by 12% to ₱4,978 million from ₱4,444 million, largely due to higher revenues from (1) *Radius* for its enterprise and *SME* accounts and billable projects to *PLDT*, (2) *MIESCOR*'s engineering, procurement and construction ("*EPC*") projects, and (3) *MServ*'s high voltage solutions and integrated facilities management projects.

Power

Revenues of the power business are from electricity distribution, *RES* and power generation. *MERALCO*, *Clark Electric* and *Shin Clark Power* distribute electricity to captive industrial, commercial and residential customers within their respective franchise areas. Meanwhile, *MPower*, *Cogent Energy*, *Vantage, MeridianX* and *MGen RES* supply electricity to their qualified contestable customers. Power generation revenues are from *GBPC, First Bulacan*, *PHRI*, Solar Philippines Calatagan Corporation ("*Solar Philippines Calatagan*"), Solar Philippines Tarlac Corporation ("*Solar Philippines Tarlac*"), *Greenergy* and *GSEI*.

Revenues of the power segment for the three months ended March 31, 2026 was at ₱118,097 million, ₱6,344 million or 6% higher compared with the same period in 2025 primarily driven by higher pass-through generation and transmission charges and stronger power generation revenue contributions.

MERALCO's average retail rate increased by 12% to ₱12.39 per *kWh* in the first quarter of 2026 from ₱11.06 per *kWh* in the same period in 2025, mainly due to a 10% increase in generation charge, which accounted for 62% of the total rate. Generation charge for the period includes the ₱0.30 per *kWh* combined contract price adjustments relating to fuel cost recoveries, which the Energy Regulatory Commission ("*ERC*") approved for four (4) generation companies. Also contributing to the increase were the higher fixed charges following the *ERC*-approved interim extension of a Power Purchase Agreement ("*PPA*"); and the peso depreciation as the local currency weakened to an average of ₱59.10 from ₱57.96 against the US dollar during the first quarter last year.

Transmission charge, which was 10% of the retail rate, similarly increased by 38% due to higher ancillary service charges from the reserve market. In addition, starting July 2025, the *ERC* approved the ₱6.6 billion higher Maximum Annual Revenue ("*MAR*") and collection of the ₱28.0 billion under-recoveries for 2016 to 2022 in favor of the National Grid Corporation of the Philippines ("*NGCP*") which resulted in an equivalent increase of an average of ₱0.10 per *kWh* and ₱0.04 per *kWh,* respectively.

MERALCO's actual average distribution charge in the first quarter of 2026 of ₱1.36 per *kWh* was 3% lower, mainly due to the implementation of the following *ERC*-approved refunds of (i) the Regulatory Reset Fee starting February 2025; and (ii) the difference between the Actual Weighted Average Tariff ("*AWAT"*) and the approved lapsed period tariff for the period July 2022 to December 2024 beginning April 2025. The distribution charge accounted for 11% of *MERALCO*'s average retail rate in the first quarter of 2025.

The following summarizes the customer count of the electricity distribution business as at March 31, 2026 and 2025 and the corresponding electric consumption per customer class for the three months ended March 31, 2026 and 2025:

	No. of Customers *(in thousands)*		**Electricity Sales** *(in GWh)*		**% Change**	
Customer Class	**2026**	**2025**	**2026**	**2025**	**No. of Customers**	**Electricity Sales**
Residential	7,635	7,469	4,111	4,257	2	(3)
Commercial	609	598	4,704	4,744	2	(1)
Industrial	11	11	3,420	3,455	–	(1)
Streetlights	5	5	38	37	–	3
Total	**8,260**	**8,083**	**12,273**	**12,493**	**2**	(2)

Consolidated *DU* energy sales stood at 12,273 *GWh* in the first quarter of 2026, 2% lower than 12,493 *GWh* during the same period in 2025. *MERALCO* volumes slipped by 2% due to cooler temperatures compared with warmer post-El Niño conditions in the first quarter last year; while *Clark Electric* posted 1% growth in sales. *Shin Clark* contributed an additional 0.7 *GWh* to consolidated sales. The lower sales volume was partly attributable to the own-use solar installations which accounted for approximately 42 *GWh* decline in sales in the first quarter of 2026.

The commercial segment contributed 38% to the sales mix and delivered 4,704 *GWh*, 1% lower than 4,744 *GWh* year-on-year. Beyond the lower-than-usual temperatures, performance further declined as office demand softened from elevated vacancies, while the retail and hotel sectors slightly contracted following implementation of energy efficiency initiatives. Expansion in cafés and quick-service restaurants provided a partial uplift in the segment.

The residential segment accounted for 34% of total sales, with a volume of 4,111 *GWh*, down 3% from 4,257 *GWh* in the same period last year. Year-to-date average temperatures declined by 1.09°C, reducing organic demand, coupled with the increasing own-use solar installations. On the other hand, there are increasing applications and energization of new services, which provide incremental sales.

The industrial segment maintained a 28% share, with sales of 3,420 *GWh* – a slight 1% decline from 3,455 *GWh* last year. While some sectors faced operational disruptions and economic challenges, the semiconductor and cement industries continued to demonstrate resilience, and remained the primary growth drivers within the segment.

By the end of March 2026, consolidated customer count increased to 8.3 million, 2% more than last year's count.

Other Services

Non-electric revenues are from (i) fees billed by *MERALCO* and *Clark Electric* for foreign attachments to distribution poles; (ii) space rental income; and (iii) revenues of subsidiaries not engaged in the power business. These non-power subsidiaries generate revenues from third-party customers through the following activities: (a) *MIESCOR Group - EPC* contracts; operations and maintenance services for transmission and telecommunications facilities; (b) *MServ* - supply and installation of powerhouse, load side equipment, and provision of energy efficiency solutions; (c) *Radius* - data connectivity and internet services; and (d) *Movem* - sale of electric vehicles to enterprises supporting electric vehicle expansion, and from the provision of e-shuttle services.

Revenue of other services grew by 12% to ₱4,978 million from ₱4,444 million, largely due to higher revenues from (1) *Radius* for its enterprise and *SME* accounts and billable projects to *PLDT*, (2) *MIESCOR*'s *EPC* projects, and (3) *MServ*'s high voltage solutions and integrated facilities management projects.

COSTS AND EXPENSES

Consolidated costs and expenses for the three months ended March 31, 2026, amounted to ₱110,496 million, higher by ₱7,436 million compared with ₱103,060 million in the same period in 2025. The following table shows the breakdown of consolidated costs and expenses by business segment:

	Unaudited					
	For the Three Months Ended March 31					
	2026		2025		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Power[1]	₱108,547	98	₱101,084	98	₱7,463	7
Other services	3,860	4	3,558	4	302	8
Inter-segment transactions	(1,911)	(2)	(1,582)	(2)	(329)	21
Total	**₱110,496**	**100**	**₱103,060**	**100**	**₱7,436**	**7**

[1] *Ibid.*

Power

Costs and expenses of power segment for the three months ended March 31, 2026 amounted to ₱108,547 million, 7% higher compared with ₱101,084 million in the same period in 2025. The details of costs and expenses are summarized in the following table:

	Unaudited					
	For the Three Months Ended March 31					
	2026		2025		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Purchased power	₱92,673	85	₱86,349	86	₱6,324	7
Depreciation and amortization	4,174	4	3,734	4	440	12
Salaries, wages and employee benefits	4,011	4	4,243	4	(232)	(5)
Contracted services	2,725	3	2,466	2	259	11
Coal and fuel	2,023	2	2,178	2	(155)	(7)
Others	2,941	2	2,114	2	827	39
Total	**₱108,547**	**100**	**₱101,084**	**100**	**₱7,463**	**7**

Purchased power cost ("*PPC*") increased by 7% to ₱92,673 million from ₱86,349 million, consistent with the increase in pass-through revenues largely from higher generation and transmission charges.

Depreciation and amortization was higher by 12% to ₱4,174 million from ₱3,734 million with the completion of *CAPEX* projects during the period.

Contracted services increased due to intensified maintenance work on *DU* facilities, as well as continued investments in IT systems and software.

Other expenses consist of business taxes and permits, provision for expected credit losses, costs of materials, transportation, net provision reversals following settlement of real property taxes and reassessment of previously recognized provisions and other corporate expenses.

Other Services

Costs and expenses of other services business segment for the three months ended March 31, 2026 amounted to ₱3,860 million, 8% higher compared with ₱3,558 million in 2025.

	Unaudited					
	For the Three Months Ended March 31					
	2026		2025		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Contracted services	₱1,221	32	₱1,290	36	(₱69)	(5)
Salaries, wages and employee benefits	1,151	30	1,202	34	(51)	(4)
Depreciation and amortization	192	5	243	7	(51)	(21)
Others	1,296	33	823	23	473	57
Total	**₱3,860**	**100**	**₱3,558**	**100**	**₱302**	**8**

The increase in cost and expenses of the other services business segment reflects the higher level of business activity for the three months ended March 31, 2026 compared with the same period in 2025, consistent with the growth in related revenues.

Depreciation and amortization expenses decreased by 21% to ₱192 million from ₱243 million with the decrease in *e-MVI Group*'s depreciation to ₱122 million in the first quarter of 2026 from ₱167 million in the same period in 2025 due to the P1.2 billion impaired assets recognized in December 2025.

OTHER INCOME (EXPENSES)

The following shows the segment other income, net of expenses:

	Unaudited			
	For the Three Months Ended March 31			
			Increase/Decrease	
	2026	2025	Amount	%
	(Amounts in millions)			
Power[2]	₱2,816	₱1,467	₱1,349	92
Other services	69	34	35	103
Intersegment transactions	(125)	(85)	(40)	47
Total	**₱2,760**	**₱1,416**	**₱1,344**	**95**

Other income, net of expenses, for the three months ended March 31, 2026 increased by ₱1,344 million, primarily due to higher share in net earnings of associates.

Power

Other income (expenses) of power segment consists of:

	Unaudited			
	For the Three Months Ended March 31			
			Increase/Decrease	
	2026	2025	Amount	%
	(Amounts in millions)			
Equity in net earnings of associates and joint ventures	₱4,891	₱3,317	₱1,574	47
Interest and other financial charges	(2,068)	(2,032)	(36)	2
Interest and other financial income	766	827	(61)	(7)
Foreign exchange gains (losses)	(36)	125	(161)	(129)
Others	(737)	(770)	33	(4)
Total	**₱2,816**	**₱1,467**	**₱1,349**	**92**

The higher share in net earnings of associates and joint ventures was primarily driven by the contribution from *MGen*'s operations in the first quarter of 2026 resulting in total equity in net earnings of ₱4.9 billion compared to ₱3.4 billion in the same period last year.

For the three months ended March 31, 2026, the *MERALCO* Group recognized foreign exchange losses, mainly due to volatility in dollar exchange rates since December 31, 2025.

[2] *Ibid.*

NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The following table shows the breakdown of net income attributable to equity holders of the parent by business segment:

	Unaudited					
	For the Three Months Ended March 31					
	2026		2025		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Power	₱10,606	98	₱10,690	102	(₱84)	(1)
Other services	559	5	257	2	302	118
Inter-segment transactions	(332)	(3)	(499)	(4)	167	(33)
Total	**₱10,833**	**100**	**₱10,448**	**100**	**₱385**	**4**

Net income attributable to equity holders of the parent increased by ₱385 million, primarily due to increased contribution from the power generation segment, mainly driven by full-capacity operation and full three (3) months contribution of *LNGPH*, the owner of a major integrated *LNG* terminal and a 2,475 MW (net) power facility in Batangas, where *MGEN* now holds a 40.2% interest following the acquisition on January 27, 2025.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2026 Unaudited	December 31, 2025 Audited	Increase (Decrease)	
			Amount	%
	(Amounts in millions)			
ASSETS				
Noncurrent Assets				
Utility plant, generation plant and others	**₱393,565**	₱378,232	₱15,333	4
Investments in associates and interests in joint ventures	**128,706**	140,440	(11,734)	(8)
Investment properties	**1,482**	1,483	(1)	–
Intangible assets	**40,480**	40,658	(178)	–
Deferred tax assets - net	**26,396**	25,706	690	3
Other noncurrent assets	**27,101**	24,136	2,965	12
Total Noncurrent Assets	**617,730**	610,655	7,075	1
Current Assets				
Cash and cash equivalents	**112,896**	109,317	3,579	3
Trade and other receivables	**69,299**	76,726	(7,427)	(10)
Inventories	**10,828**	10,983	(155)	(1)
Oher current assets	**19,037**	16,198	2,839	18
Total Current Assets	**212,060**	213,224	(1,164)	(1)
Total Assets	**₱829,790**	₱823,879	₱5,911	1
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent	**₱166,345**	₱173,137	(₱6,792)	(4)
Non-controlling interests	**50,526**	50,387	139	–
Total Equity	**216,871**	223,524	(6,653)	(3)
LIABILITIES				
Noncurrent Liabilities				
Interest-bearing long-term financial liabilities - net of current portion	**202,668**	186,531	16,137	9
Customers' deposits - net of current portion	**39,901**	39,206	695	2
Long-term employee benefits	**14,392**	13,565	827	6
Provisions	**12,148**	12,335	(187)	(2)
Refundable service extension costs - net of current portion	**3,356**	3,371	(15)	–
Deferred tax liabilities - net	**8,453**	8,432	21	–
Other noncurrent liabilities	**83,759**	84,865	(1,106)	(1)
Total Noncurrent Liabilities	**364,677**	348,305	16,372	5
Current Liabilities				
Notes payable	**29,015**	36,367	(7,352)	(20)
Trade payables and other current liabilities	**203,768**	199,620	4,148	2
Customers' refund	**2,850**	2,851	(1)	–
Income tax payable	**1,852**	1,764	88	5
Current portion of long-term employee benefits	**4,300**	4,300	–	–
Current portion of interest-bearing long-term financial liabilities	**6,457**	7,148	(691)	(10)
Total Current Liabilities	**248,242**	252,050	(3,808)	(2)
Total Liabilities	**612,919**	600,355	12,564	2
Total Liabilities and Equity	**₱829,790**	₱823,879	₱5,911	1

CHANGES IN FINANCIAL POSITION

Utility Plant, Generation Plant and Others
The ₱15,333 million increase in utility plant, generation plant and others reflects the costs of completed and on-going construction of electric distribution-related facilities, and upgrade and major rehabilitation of existing electrical facilities and IT related assets, most of which represents regulated capital expenditures by *ERC*'s definition, and development of power plant projects totaling ₱19,424 million. This was offset by depreciation and amortization of ₱3,999 million.

Investments in Associates and Interests in Joint Ventures
Investments in associates and interest in joint ventures decreased due to the redemption of preferred shares in *Chromite Holdings* owned by *MGen* amounting to ₱18,090 million at issue price on March 19, 2026 and dividends declared by associates and joint ventures totalling to ₱2,734 million. This was offset by recognition of equity in net earnings for the quarter of ₱4,891 million.

Other Noncurrent Assets
The increase in financial and other noncurrent assets is mainly attributed to the additional under recoveries of pass through charges resulting from increasing generation and transmission charges recognized during the three months ended March 31, 2026.

Trade and Other Receivables
Trade and other receivables decreased consistent with the decline in energy sales of the distribution business.

Other Current Assets
The increase in other current assets is mainly due to (1) higher input VAT of ₱10,320 million as at March 31, 2026 from ₱9,293 million, and (2) changes in fair value of the foreign exchange forwards entered into by *MTerra Solar* in 2025 to hedge its forecasted payments in foreign currency arising from its Engineering and Procurement Contracts related to the construction of its solar power plant.

Interest-bearing debt
Consolidated interest-bearing debts totaled ₱238 billion as at March 31, 2026 compared with ₱230 billion as at December 31, 2025 due to additional loan drawdowns mainly by *MERALCO*, *MTerra Solar* and *Solar Philippines Tarlac* of ₱6.5 billion, ₱7.5 billion and ₱3.8 billion, respectively, to finance investments and other strategic initiatives.

2025 compared with 2024

REVENUES

The composition of *MERALCO Group*'s consolidated revenues by business segment is shown below.

	Unaudited					
	For the Three Months Ended March 31					
	2025		2024		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Power	₱111,753	97	₱101,363	97	₱10,390	10
Other services	4,444	4	4,015	4	429	11
Inter-segment transactions	(1,686)	(1)	(830)	(1)	(856)	103
Total	**₱114,511**	**100**	**₱104,548**	**100**	**₱9,963**	**10**

Consolidated revenues rose by 10% to ₱114,511 million from ₱104,548 million mainly due to higher volumes sold by the distribution utility, increase in pass through transmission charge and higher revenues of *MGen* from the reserve market.

Other services revenue increased by 11% from ₱4,015 million to ₱4,444 million due to higher revenues of *MIESCOR* and *MServ* at ₱2,242 million and ₱369 million, respectively, for the three months ended March 31, 2025 from ₱1,988 million and ₱272 million, respectively, in the same period in 2024. The increase was mitigated by the deconsolidation of *MIDC* at the end of September 2024.

Power

Revenues of power segment represent those from electricity distribution, *RES* and power generation businesses. *MERALCO*, *Clark Electric* and *Shin Clark Power* distribute electricity to captive industrial, commercial and residential customers while *MPower*, *Cogent Energy*, *Vantage, MeridianX, Phoenix Power* and *GESC* supply electricity to their respective contestable customers. Revenues of the power generation companies of *GBPC, First Bulacan*, *PHRI*, SP Calatagan and SP Tarlac are included in the power segment.

Revenues of the power segment in the first three months ended March 31, 2025 was at ₱111,753 million, ₱10,390 million or 10% higher compared with the same period in 2024 driven by higher distributed volume, higher pass-through transmission charge and higher revenues from the reserve market.

Meralco's average retail rate grew by 3% to ₱11.06 per *kWh* in the first quarter of 2025 from ₱10.78 per *kWh* in the same period in 2024, mainly due to an equivalent increase in generation charge, which accounted for 63% of total retail rate. This came as a result of higher cost of natural gas, as well as full recovery of previously deferred charges for First Gas Sta. Rita and San Lorenzo plants, as approved by the *ERC.* The peso depreciation, which weakened to an average of ₱57.96 per US dollar in the first quarter of 2025 versus ₱55.96 in the same period in 2024, also lifted generation charge for the three-month period.

Transmission charge, comprising 8% of the retail rate, went up by 11% due to higher ancillary service charges from additional capacity sourced by the National Grid Corporation of the Philippines ("*NGCP*") from new Ancillary Service Procurement Agreements ("*ASPAs*") and the reserve market. Ancillary service charges in the first quarter of 2025 also included the collection of the remaining 70% of *NGCP*'s March 2024 ancillary service costs from the reserve market, which was approved by the *ERC.*

The following summarizes the customer count of the electricity distribution business as at March 31, 2025 and 2024 and the corresponding electric consumption per customer class for the three months ended March 31, 2025 and 2024:

	No. of Customers *(in thousands)*		Electricity Sales *(in GWh)*		% Change	
Customer Class	**2025**	**2024**	**2025**	**2024**	**No. of Customers**	**Electricity Sales**
Residential	7,469	7,279	4,257	4,144	3	3
Commercial	598	584	4,744	4,678	2	1
Industrial	11	11	3,455	3,448	–	–
Streetlights	5	5	37	37	–	–
Total	**8,083**	**7,879**	**12,493**	**12,307**	**3**	**2**

Consolidated distribution utility energy sales volumes in the first quarter of 2025 rose to 12,493 *GWh* from 12,307 *GWh* in the same period in 2024. Volumes attributable to *MERALCO* and *Clark Electric* increased by 2% and 3%, respectively, while *Shin Clark Power* brought in additional 1 *GWh.*

Commercial segment had the biggest share of 38% in the energy sales mix, while residential and industrial accounted for 34% and 28%, respectively.

Commercial segment closed the first quarter of 2025 with 4,744 *GWh* of energy sold, 1% more than 4,678 *GWh* in the same period in 2024.

Sales volumes from the residential sector grew 3% to 4,257 *GWh* from 4,144 *GWh*, owing to the energization of new residential customers that drove consumption growth and contributed 95 *GWh* in the first quarter.

Sales volumes from the industrial segment rose marginally to 3,455 *GWh* from 3,448 *GWh* in the first quarter of 2024.

Meanwhile, consolidated customer count was at 8.08 million customers, 3% higher than the 7.88 million customers in the first quarter of 2024.

Other Services

Non-electric revenues consist mainly of businesses generated from (i) foreign attachments to the *MERALCO* and *Clark Electric* poles; (ii) space rentals; and (iii) revenues of subsidiaries not engaged in the power business, which include businesses generated from third party customers by: (a) *MIESCOR Group* from its *EPC* contracts; operations and maintenance works involving transmission and telecommunications lines; (b) *MServ* for the supply and installation of powerhouse, load side equipment, and energy efficiency services; (c) *CIS Group* handling payment collections for corporate and government billers, spot billing volumes, remittances and other fee-based transactions; (d) *Radius* with its data and internet services; and (e) *Movem* with its sales of e-vehicles to electric vehicles expansion enterprises and e-shuttle services.

Revenue of other services increased in the first quarter of 2025 compared with the same period in 2024 due to higher revenues of *MIESCOR* and *MServ* at ₱2,242 million and ₱369 million, respectively, for the three months ended March 31, 2025 from ₱1,988 million and ₱272 million in the same period in 2024. This was mitigated by the deconsolidation of *MIDC* at the end of September 2024.

COSTS AND EXPENSES

Consolidated costs and expenses for the three months ended March 31, 2025, amounted to ₱103,060 million, lower by ₱9,616 million compared with ₱93,444 million in 2024. The following table shows the breakdown of consolidated costs and expenses by business segment:

	Unaudited					
	For the Three Months Ended March 31					
	2025		2024		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Power[3]	₱101,084	98	₱90,949	97	₱10,135	11
Other services	3,558	4	3,373	4	185	5
Inter-segment transactions	(1,582)	(2)	(878)	(1)	(704)	80
Total	**₱103,060**	**100**	**₱93,444**	**100**	**₱9,616**	**10**

Power

Costs and expenses of power segment for the three months ended March 31, 2025 amounted to ₱101,084 million, 11% higher compared with ₱90,949 million in 2024. The details of costs and expenses are summarized in the following table:

	Unaudited					
	For the Three Months Ended March 31					
	2025		2024		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Purchased power	₱86,349	86	₱76,462	84	₱9,887	13
Salaries, wages and employee benefits	4,243	4	3,315	4	928	28
Depreciation and amortization	3,734	4	3,985	4	(251)	(6)
Contracted services	2,466	2	2,189	2	277	13
Coal and fuel	2,178	2	2,756	3	(578)	(21)
Others	2,114	2	2,242	3	(128)	(6)
Total	**₱101,084**	**100**	**₱90,949**	**100**	**₱10,135**	**11**

Purchased power cost ("*PPC*") increased by 13% to ₱86,349 million from ₱76,462 million consistent with the movement in pass-through revenues which increased due to higher volume purchased as well as higher transmission charge. The average Malampaya natural gas price increased to US$ 11.61 per *GJ* in the first quarter of 2025 from US$ 9.94 per *GJ* a year ago due to higher oil price indices. Average Wholesale Electricity Spot Market ("*WESM*") prices, on the other hand, went down mainly due to the availability of Ilijan Natural Gas Plant, which was on shutdown from June 2022 to May 2023, following the end of its cooperation period with the suppliers of Malampaya gas.

Salaries, wages and employee benefits expense increased due to increase in manpower count within the power generation business as this segment continues to expand its operations, employee annual merits and higher employee retirement benefits driven by adjustment in discount rate assumption used in determining the defined benefit obligation.

Lower depreciation and amortization was mainly due to the deconsolidation of *MIDC* at the end of September 2024.

Coal and fuel are costs incurred by the power generation business, mainly *GPBC* and its subsidiaries. Coal and fuel costs decreased by 21% due to lower plant maintenance cost resulting from higher plant availability and fewer outage days, and lower coal and fuel prices.

Other expenses consist of business taxes and permits, provision for expected credit losses, costs of materials, transportation, and other corporate expenses.

[3] *Ibid.*

Other Services

Costs and expenses of other services business segment for the three months ended March 31, 2025 amounted to ₱3,558 million, 5% higher compared with ₱3,373 million in 2024.

	Unaudited					
	For the Three Months Ended March 31					
	2025		2024		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Contracted services	₱1,290	36	₱619	18	₱671	108
Salaries, wages and employee benefits	1,202	34	1,194	36	8	1
Depreciation and amortization	243	7	545	16	(302)	(55)
Others	823	23	1,015	30	(192)	(19)
Total	**₱3,558**	**100**	**₱3,373**	**100**	**₱185**	**5**

The increase in cost and expenses of other services business segment reflects the costs of increasing business activities for the three months ended March 31, 2025 compared with the same period in 2024, consistent with the increase in related revenues.

Contacted services rose to ₱1,290 million from ₱619 million driven by an increase in *MIESCOR* Group's contracted services from ₱235 million to ₱835 million in line with the growth in related revenues. The increase was partially mitigated by the decrease in depreciation and amortization due to the deconsolidation of *MIDC* at the end of September 2024.

OTHER INCOME (EXPENSES)

The following shows the breakdown of other income, net of expenses, by business segment:

	Unaudited			
	For the Three Months Ended March 31			
			Increase/Decrease	
	2025	2024	Amount	%
	(Amounts in millions)			
Power[4]	₱1,467	₱1,021	₱446	44
Other services	34	(134)	168	(125)
Intersegment transactions	(85)	176	(261)	(148)
Total	**₱1,416**	**₱1,063**	**₱353**	**33**

Other income, net of expenses, for the three months ended March 31, 2025 increased by ₱353 million mainly due to higher share in net earnings of associates. The increase was mitigated by higher interest and financial charges resulting from the availment of ₱75 billion term loan in January 2025.

[4] *Ibid.*

Power

Other income (expenses) of power segment consists of:

	Unaudited			
	For the Three Months Ended March 31			
			Increase/Decrease	
	2025	2024	Amount	%
	(Amounts in millions)			
Equity in net earnings of associates and joint ventures	₱3,317	₱1,709	₱1,608	94
Interest and other financial charges	(2,032)	(1,133)	(899)	79
Interest and other financial income	827	889	(62)	(7)
Foreign exchange gains	125	2	123	6,150
Others	(770)	(446)	(324)	73
Total	**₱1,467**	**₱1,021**	**₱446**	**44**

The higher share in net earnings of associates and joint ventures was attributed to the net income contribution of *MGen*'s operations in the first quarter of 2025 resulted in total equity in net earnings of ₱3.4 billion compared with ₱1.6 billion in the same period in 2024.

Interest and other financial charges increased by ₱79 million due to additional loans obtained in the first quarter of 2025 compared with the same period in 2024.

NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The following table shows the breakdown of net income attributable to equity holders of the parent by business segment:

	Unaudited					
	For the Three Months Ended March 31					
	2025		2024		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
	(Amounts in millions)					
Power	₱10,690	102	₱9,505	99	₱1,185	12
Other services	257	2	254	3	3	(1)
Inter-segment transactions	(499)	(4)	(162)	(2)	(337)	208
Total	**₱10,448**	**100**	**₱9,597**	**100**	**₱851**	**9**

Net income attributable to equity holders of the parent increased by ₱851 million due to (a) higher sales volume of the *DU* business compared in the same period in 2024, owing to strong performance of commercial and residential segments and recovery of industrial segment, and (b) higher contribution from the power generation segment due to its operational stability and efficiency of its operating assets and strategic participation in co-optimized market bidding for both energy and ancillary services in the Visayas grid.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2025 Unaudited	December 31, 2024 Audited	Increase (Decrease) Amount	%
		(Amounts in millions)		
ASSETS				
Noncurrent Assets				
Utility plant, generation plant and others	**₱310,226**	₱288,501	₱21,725	8
Investments in associates and interests in joint ventures	**128,250**	47,513	80,737	170
Investment properties	**1,486**	1,487	(1)	–
Intangible assets	**41,063**	41,559	(496)	(1)
Deferred tax assets - net	**27,241**	26,382	859	3
Financial and other noncurrent assets	**33,765**	32,900	865	3
Total Noncurrent Assets	**542,031**	438,342	103,689	24
Current Assets				
Cash and cash equivalents	**103,124**	84,480	18,644	22
Trade and other receivables	**62,453**	64,697	(2,244)	(3)
Inventories	**11,301**	11,422	(121)	(1)
Financial and other current assets	**18,354**	19,017	(663)	(7)
Total Current Assets	**195,232**	179,616	15,616	8
Total Assets	**₱737,263**	₱617,958	₱119,305	19
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent	**₱141,840**	₱144,599	(₱2,759)	(2)
Non-controlling interests	**47,911**	41,283	6,628	16
Total Equity	**189,751**	185,882	3,869	2
LIABILITIES				
Noncurrent Liabilities				
Interest-bearing long-term financial liabilities - net of current portion	**148,667**	54,797	93,870	171
Customers' deposits - net of current portion	**35,341**	33,274	2,067	6
Long-term employee benefits	**17,082**	16,263	819	5
Provisions	**9,063**	9,855	(792)	(8)
Refundable service extension costs - net of current portion	**3,692**	3,753	(61)	(2)
Deferred tax liabilities - net	**8,708**	8,769	(61)	(1)
Other noncurrent liabilities	**69,024**	68,991	33	–
Total Noncurrent Liabilities	**291,577**	195,702	95,875	49
Current Liabilities				
Notes payable	**30,057**	34,287	(4,230)	(12)
Trade payables and other current liabilities	**210,668**	191,472	19,196	10
Customers' refund	**2,853**	2,853	–	–
Income tax payable	**3,026**	2,070	956	46
Current portion of interest-bearing long-term financial liabilities	**9,331**	5,692	3,639	64
Total Current Liabilities	**255,935**	236,374	19,561	8
Total Liabilities	**547,512**	432,076	115,436	27
Total Liabilities and Equity	**₱737,263**	₱617,958	₱119,305	19

CHANGES IN FINANCIAL POSITION

Utility Plant, Generation Plant and Others
The ₱21,725 million increase in utility plant, generation plant and others reflects the costs of completed and on-going construction of electric distribution-related facilities, and upgrade and major rehabilitation of existing electrical facilities and IT related assets, most of which represents regulated capital expenditures by *ERC*'s definition, and development of power plant projects totaling ₱25,389 million. This was offset by depreciation and amortization of ₱3,608 million.

Investments in Associates and Interests in Joint Ventures
Investments in associates and interest in joint ventures increased due to (a) the recognition of ₱79.4 billion investment in *CGHI,* a joint venture between *MGen* (60%) and Therma NatGas, Inc. (40%), which acquired 67% stake in two gas-fired power plants owned by San Miguel Global Power Holdings Corp. and the *LNG* import and regasification terminal owned by Linseed Field Corporation on January 30, 2025 and (b) recognition of equity in net earnings for the period of ₱3,317 million. This was offset by dividends declared by associates and joint ventures totalling to ₱2,084 million.

Interest-bearing debt
Consolidated interest-bearing debts totaled ₱188.1 billion, including ₱72.6 billion debts of subsidiaries. In January 2025, *MERALCO* utilized its ₱75 billion credit facility with major banks and drew on such facility to finance investments, among others. In March 2025, *MTerra Solar* secured project financing amounting to ₱25.2 billion, with ₱18 billion for the repayment of a bridge loan.

Long-term employee benefits
The increase in this account was due to the long-term employee benefits expense recognized during the period.

Trade payables and other current liabilities
The increase in this account is attributed to the recognition of (a) dividends declared in February 2025 amounting to ₱15,482 million and (b) liabilities amounting to ₱10,270 million in relation to the investment agreement of *CGHI* on January 30, 2025.

LIQUIDITY AND CAPITAL RESOURCES

The following show the cash flows for the three months ended March 31, 2026 and 2025 as well as the capitalization and other selected consolidated financial data as at March 31, 2026 and December 31, 2025:

	Unaudited	
	For the Three Months Ended March 31	
	2026	2025
Cash Flows		
Net cash provided by operating activities	**₱3,474**	**₱9,721**
Net cash used in investing activities	**8,890**	**94,135**
Net cash provided by financing activities	**9,037**	**103,114**
Net increase in cash and cash equivalents	**3,621**	**18,700**
Capital Expenditures	**25,399**	**9,435**

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
	(Amounts in millions)	
Capitalization		
Interest-bearing long-term financial liabilities		
Current	**₱6,457**	₱7,148
Noncurrent	**202,668**	186,531
Notes payable	**29,015**	36,367
Equity attributable to equity holders of the parent	**166,345**	173,137
Other Selected Financial Data		
Total assets	**829,790**	823,879
Utility plant, generation plant and others	**393,565**	378,232
Cash and cash equivalents	**112,896**	109,317

Debt Financing

The details of *MERALCO*'s interest bearing financial liabilities are discussed in Notes 17 and 27 to the consolidated financial statements.

The power plant complex of *PHRI*, generation plant and equipment of *First Bulacan*, *Greenergy*, *Solar Philippines Calatagan*, *Solar Philippines Tarlac*, *TNI* and *GSEI* and the solar power plant undergoing development of *MTerra Solar*, with aggregate carrying value of ₱116,502 million as at March 31, 2026, are pledged as securities for the project finance debt.

Under their respective loan agreements, *MERALCO*'s subsidiaries are required to meet certain pre-agreed financial ratios at all times until full payment of the obligations. There are also restrictions in terms of payment of dividends, distributions or other returns to its stockholders, granting additional liens on its assets, disposal of assets, entering into mergers or similar transactions or permitting a transfer of its interest and incurring additional indebtedness, among others. *GBPC* is prohibited from entering into merger or consolidation with other corporation, unless *GBPC* is the surviving entity.

As at March 31, 2026, the *MERALCO Group* is in compliance with all of the covenants of the loan agreements.

Equity Financing

As at March 31, 2026, *MERALCO*'s capital stock consists of (*amounts in millions except par value and number of shares*):

Common stock - ₱10 par value	
Authorized - 1,250,000,000 shares	₱12,500
Issued - 1,127,271,117 shares	11,273
Treasury - 178,608 shares	(13)

The balance of previously issued preferred shares which have been called for redemption amounted to ₱1,455 million and ₱1,459 million as at March 31, 2026 and December 31, 2025, respectively. Total unclaimed dividends amounted to ₱248 million as at March 31, 2026 and December 31, 2025. Interest is no longer accrued from the time such preferred shares were called for redemption.

Treasury shares represent the subscribed shares and the related rights of employees who have opted to withdraw from the Employee Stock Purchase Plan ("*ESPP*") in accordance with the provisions of the *ESPP* and which *MERALCO* purchased.

As at March 31, 2026, the total number of treasury shares is 178,608.

The following are the cash dividends declared on common shares for the for the three months ended March 31, 2026 and 2025:

Declaration Date	Record Date	Payment Date	Dividend Per Share	Amount
				(In millions)
February 25, 2026	March 26, 2026	April 20, 2026	₱16.67	₱18,791
February 24, 2025	March 12, 2025	April 4, 2025	13.74	15,482

The *BOD*-approved dividend policy of *MERALCO* consists of (i) regular cash dividends equivalent to 50% of *CCNI* for the year, and (ii) special dividend determined on a "look-back" basis. Declaration and payment of special dividend are dependent on the availability of unrestricted retained earnings and availability of free cash. The declaration, record and payment dates shall be consistent with the guidelines and regulations of the Philippine *SEC*.

RISK FACTORS

The significant risk factors affecting *MERALCO*'s financial position and results of operations are:

- Regulatory decisions affecting the distribution utilities' tariff
- Recovery of development investments, new businesses and significant capital expenditures
- Sales volume and Philippine economic conditions
- Power supply and demand management
- Competition and market

Regulatory Decisions Affecting the Distribution Utilities' Tariff

MERALCO is exposed to material regulatory uncertainty arising from timing, scope, and outcome of its next rate rebasing and related rate-setting processes. The operating results and financial condition *MERALCO*, *Clark Electric* and *Shin Clark Power* are significantly influenced by regulatory determination on the valuation of the regulatory asset base *("RAB")*, the allowable rate of return, and the level and timing of permitted cost recoveries.

Distribution rates billed by *MERALCO* and *Clark Electric* are subject to approval by the *ERC* and are designed to allow a reasonable return on invested capital. Their approved rate structures provide for the pass-through of purchased power costs based on approved *PSA*s, recovery of system loss ("*SL")* charges subject to an *ERC*-imposed annual cap, and the pass-through of applicable taxes and other allowable charges. *Shin Clark Power* is currently operating under *Return on Rate Base* ("*RORB*") framework with its *RORB r*ate approved by the *ERC* in an Order dated September 18, 2025.

Shin Clark Power is expected to transition to Performance-Based Regulations ("*PBR")* under the Rationalized Rules for Setting the Distribution Wheeling Rates ("*RRDWR"*) as a Group B entrant, with its first *RP* commencing in January 2027. *MERALCO,* together with three (3) other private distribution utilities ("*DU*s"), is classified as a Group A entrant to the *PBR*.

Under the *PBR* regime, distribution tariffs are set once every Regulatory Period ("*RP*") based on an approved rate-setting methodology that considers forecast operating and capital expenditures, as well as the regulated return on approved *RAB*, to ensure compliance with prescribed performance standards and service quality requirements. The *PBR* framework also incorporates incentives and penalty mechanisms that adjust revenues based on network and service performance outcomes. For *MERALCO*, the first regulatory period under *PBR* covers the period from July 1, 2026 to June 30, 2030 ("*1RP*").

Each *RP* consists of four (4) Regulatory Years ("*RY*s"), with each *RY* for *MERALCO* running from July 1 to June 30 of the following year. Any delay, modification, or adverse determination by the *ERC* in the approval of rates, regulatory parameters, or performance targets could materially affect *MERALCO*'s ability to recover its costs, earn its approved return, and achieve forecast financial results. In accordance with the *RRDWR*, on February 2, 2026, *MERALCO* filed its regulatory reset application for the *1RP*, covering the period from July 1, 2026 to June 30, 2030. As at May 4, 2026, clarificatory hearings are ongoing. *MERALCO* filed its Formal Offer of Evidence on April 17, 2026.

For the Lapsed Period, the *ERC* approved an average distribution rate of ₱1.3522 per *kWh*. *MERALCO* was authorized to continue implementing this rate until otherwise directed by the *ERC*, net of the Regulatory Reset Fees in the amount of ₱0.0023 per *kWh*, which the *ERC* orderd to be discontinued under *ERC* Case No. 2025-025 RC. There can be no assurance that future rate approvals, true-ups, or regulatory resets will be granted on a timely basis or under terms consistent with *MERALCO*'s expectations.

Regulatory Reset Costs

On December 17, 2024, in *ERC* Resolution No. 18, Series of 2024, the *ERC* also required *DU*s under *PBR* to refund the collected regulatory reset costs from July 2015 to October 2024, including interest. In the case of *MERALCO*, it was directed to refund the amount of ₱987.2 million, subject to further verification by the *ERC*. *MERALCO* implemented a one-time refund of ₱0.226 per *kWh* in its February 2025 billing, as a separate line item in its electricity bill to customers. In addition, *MERALCO* was also directed to no longer collect, as part of its distribution wheeling rate, the amount of ₱0.0023 per *kWh*, representing the regulatory reset expert costs.

While *MERALCO* complied with the directives, in a letter dated January 17, 2025, *MERALCO* wrote the *ERC* to ask for the basis for the computations and basis for the refund. As at May 4, 2026, the *ERC* has yet to respond to *MERALCO*'s letter.

Distribution Rate True-Up ("DRTU") Applications

The *ERC*'s initial Orders for *DRTU* refunds totaling ₱48,247 million were implemented starting 2021 and have been fully refunded to the customers as of the May 2023 billing. This resulted in an excess refund of ₱862 million, which has been reported to the *ERC* in June 2023, including a proposed recovery mechanism. As at May 4, 2026, the *ERC* has not responded to *MERALCO*'s letter.

Several intervenors have filed petitions before the Court of Appeals ("*CA*") and the Supreme Court ("*SC*") questioning the *ERC*'s decision approving the *DRTU* refund application. As at May 4, 2026, the petitions are pending before the *CA* and *SC*.

In compliance with the Order dated December 17, 2024, *MERALCO* filed an application for the confirmation of the true-up calculation of the *AWAT* for the period July 1, 2022 to December 31, 2024. The application also included *MERALCO*'s proposal to offset the recovery of the over refund from the implementation of previous orders of *DRTU* refunds. In an Order dated March 5, 2025, the *ERC* directed the refund of ₱19.9 billion, or an equivalent average refund rate of ₱0.1189 per *kWh* for all customer classes but excluded the recovery of over-refund from the previous *AWAT* refund implementation as this was still to be verified by the *ERC*. *MERALCO* implemented the refund starting in its April 2025 billings. As at March 31, 2026, *MERALCO* has refunded a total of ₱6.3 billion. In the *ERC* Decision dated April 22, 2026, the *ERC* ordered the refund of the remaining unrefunded amount of ₱14.2 billion as of the February billing month or an equivalent average refund rate of ₱0.2511 per *kWh* over 12 months or until such time that the amount shall have been fully refunded to its customers.

Additionally, on August 20, 2025, *MERALCO* filed an application for the confirmation of the true-up calculation of the *AWAT* for the period January 1, 2025 to June 30, 2025. Under *ERC* Resolution No. 23, Series of 2025, entitled, "A Resolution Directing All Private Distribution Utilities ("*PDU*s") to File Their Respective *AWAT* Applications for the Lapsed Period", the *ERC* resolved to adopt a confirmation and true-up process in determining the rates of the *PDU*s to address the lapsed period for their respective Entry Groups and defined the lapsed period for each Entry Group. The *ERC* then directed all *PDU*s to file an application for the confirmation of their *AWAT* as against their last approved rates, within sixty (60) calendar days from the effectivity of the Resolution. However, in *ERC* Resolution No. 1, Series of 2026, the *ERC* clarified the timeline for filing of the *AWAT* and directed all *PDU*s to file, within one hundred twenty (120) days from the effectivity of the *AWAT* Resolution on November 22, 2025, or until March 22, 2026. *MERALCO* filed its application covering the period from July 1, 2025 to December 31, 2025 on or before the stated deadline. As at May 4, 2026, the *ERC* promulgated the Order dated April 1, 2026 setting both *ERC* Case Nos. 2025-178 RC and 2026-040 RC for joint hearing, effectively consolidating both cases.

Capital Expenditure ("CAPEX")

Absent the final rules governing the lapsed period from *RY* 2016, *MERALCO* filed its applications for approval of authority to implement its *CAPEX* program for each of the *RY*s beginning July 1, 2015 until June 30, 2022. This is consistent with the provisions of Section 20(b) of Commonwealth Act No. 146, as amended, otherwise known as the Public Service Act. For forecast *CAPEX* after June 30, 2022, the proposals were filed as part of *MERALCO*'s regulatory reset applications.

Except with respect to partial approval by the *ERC* of the *RY* 2016 *CAPEX* amounting to ₱15,466 million and provisional authority granted by the *ERC* to implement certain projects for *RY* 2017 amounting to ₱8,758 million, and approval of the *RY* 2018 *CAPEX* amounting to ₱16,370 million, all other applications remain pending with the *ERC*. As at May 4, 2026, *MERALCO* is awaiting the final resolution and approval of the *ERC*.

Pending *ERC*'s approval, *MERALCO* manifested several projects as "urgent" or "emergency in nature" and proceeded with the implementation of said *CAPEX*.

Regulatory Reset Process Application

MERALCO filed its reset application for the new 5*RP*, covering the period from *RY* 2026 to *RY* 2029, on February 7, 2025. As the first *RY* of this reset period lapsed, *MERALCO* filed an Omnibus Motion to: (a) withdraw the application; (b) allow *MERALCO* to re-file its 5*RP* Application to cover the period from *RY*2027 to *RY*2030; and (c) to consider *RY*2026 as lapsed period. In an Order dated January 30, 2026, the *ERC* issued an Order allowing the withdrawal of the Application and directed *MERALCO* to file its new regulatory reset application in accordance with the *RRDWR*.

In accordance with the *RRDWR*, on February 2, 2026, *MERALCO* filed its regulatory reset application for the *1RP*, covering the period from July 1, 2026 to June 30, 2030. As at May 4, 2026, clarificatory hearings are ongoing. However, *MERALCO* filed its Formal Offer of Evidence on April 17, 2026.

PBR Reset for Clark Electric

Similar to *MERALCO*, *Clark Electric* is subject to operational performance and service level requirements approved by the *ERC*.

On December 3, 2025, the *ERC* issued *ERC* Resolution No. 24, Series of 2025, adopting the *RRDWR* for *PDU*s under *PBR*. Pursuant thereto, *Clark Electric* was reclassified from Group D to Group B. Under the *RRDWR*, the first *RY* for Group B will commence on January 1, 2027 and end on December 31, 2027.

During its lapsed period, *Clark Electric* continued to bill its customers using the last approved *MAP* for *RY* 2015. In parallel, *Clark Electric* annually filed and manifested as urgent its *CAPEX* requirements with the *ERC* to enable the timely implementation of critical infrastructure projects. As at May 4, 2026, the *CAPEX* applications covering *RY* 2015 to *RY* 2024 remain pending with the *ERC* while *CAPEX* application for *RY* 2025 to *RY* 2026 is still pending filing with the *ERC*.

Following the adoption of the *RRDWR*, *Clark Electric* is currently preparing its Application for the Approval of the Annual Revenue Requirement ("*ARR*") and the Performance Incentive Scheme ("*PIS*") for the first *RY*, including the approval of the Maximum Average Price ("*MAP*") for *RY 2027*, and the translation of the approved *MAP* into a distribution rate structure for its various customer classes, in accordance with the provisions of the *RRDWR*.

Recovery of Development Investments, New Businesses and Significant Capital Expenditures

MGen, through its subsidiaries and associates, has significant investments in the development and/construction of the following power plants:

- 3.5-*GWp* solar power plant with a 4,500-*MWhr* battery energy storage system of *MTerra Solar*
- 450 *MWac* solar plant in Bugallon, Pangasinan
- Hydrogen-ready Combined Cycle Gas Turbine facility in Jurong Island, Singapore
- 49-*MW* Battery Energy Storage System ("*BESS*") project in Toledo, Cebu

MGreen also entered into an investment agreement with *Vena Energy*, for the development, construction and operation of the 450 *MWac* solar plant in Bugallon, Pangasinan through 3 Barracuda Energy Corporation ("*Barracuda Energy*"). On March 18, 2026, *NGCP* issued a Provisional Certificate of Approval to Connect ("*PCATC*") for *Barracuda Energy*'s 450 *MWac* solar power plant.

MGen also has a combined 58% (direct and indirect interests) in *PacificLight Power,* which owns and operates a 2 x 400 *MW* combined cycle turbine power plant mainly fueled by *LNG* in Jurong Island, Singapore. On May 14, 2025, a 100 *MW* fast-start *LNG* plant is completed and commissioned to provide ancillary services to the Singapore grid under a 25-year Fast Start contract with the Energy Market Authority ("*EMA*").

On January 6, 2025, *PacificLight Power* was awarded the right to build, own and operate a hydrogen-ready Combined Cycle Gas Turbine ("*CCGT*") facility in Jurong Island by the *EMA* of Singapore. The project shall be the largest single H-class *CCGT* plant in Singapore, with the capacity of at least 600 *MW*. The plant is scheduled to begin commercial operations in January 2029.

If any of these ongoing developments and constructions are not executed as planned due to reasons or factors beyond *MERALCO*'s control, *MERALCO*'s results of operations and financial position could be adversely affected.

Sales Volume and Philippine Economic Conditions

Consolidated *DU* energy sales stood at 12,273 *GWh* in the first quarter of 2026, 2% lower than 12,493 *GWh* during the same period in 2025. *MERALCO* volumes slipped by 2% due to cooler temperatures compared with warmer post-El Niño conditions in the first quarter last year; while *Clark Electric* posted 1% growth in sales. *Shin Clark* contributed an additional 0.7 *GWh* to consolidated sales. The lower sales volume was partly attributable to the own-use solar installations which accounted for approximately 42 *GWh* decline in sales in the first quarter of 2026.

The commercial segment contributed 38% to the sales mix and delivered 4,704 *GWh*, 1% lower than 4,744 *GWh* year-on-year. Beyond the lower-than-usual temperatures, performance further declined as office demand softened from elevated vacancies, while the retail and hotel sectors slightly contracted following implementation of energy efficiency initiatives. Expansion in cafés and quick-service restaurants provided a partial uplift in the segment.

The residential segment accounted for 34% of total sales, with a volume of 4,111 *GWh*, down 3% from 4,257 *GWh* in the same period last year. Year-to-date average temperatures declined by 1.09°C, reducing organic demand, coupled with the increasing own-use solar installations. On the other hand, there are increasing applications and energization of new services, which provide incremental sales.

The industrial segment maintained a 28% share, with sales of 3,420 *GWh* – a slight 1% decline from 3,455 *GWh* last year. While some sectors faced operational disruptions and economic challenges, the semiconductor and cement industries continued to demonstrate resilience, and remained the primary growth drivers within the segment.

By the end of March 2026, consolidated customer count increased to 8.3 million, 2% more than last year's count.

Lower electricity sales volumes pose a risk to *MERALCO*'s revenue and profitability. Recent volume declines have been driven largely by external factors, including weather variability, increased rooftop solar adoption, and broader economic conditions. A prolonged period of weak electricity demand could adversely affect financial performance, load growth assumptions, revenue recovery, and long-term investment and capacity planning.

Power Supply and Demand Management

The electricity distributed by *MERALCO* and *Clark Electric* is sourced primarily through *PSA*s with generators and long-term *PPA*s with *IPPs*. Any supply shortfall under these *PSA*s and *PPA*s is procured from the *WESM,* which serves as the centralized trading venue where electricity is bought and sold as a commodity.

Below is the summary of *MERALCO* and *Clark Electric*'s electricity suppliers and the respective amounts of power purchased for the three months period ended March 31, 2026 and 2025. The details of the relevant *IPP*s and *PSA*s are disclosed and discussed in Note 30 to the unaudited interim consolidated financial statements.

The amounts of purchased power costs including transmission and ancillary charges for the three months ended March 31, 2026 and 2025 follow:

	Unaudited	
	For the Three Months Ended March 31	
	2026	2025
	(Amounts in millions)	
NGCP	**₱18,163**	₱13,059
SPPC	**14,304**	13,195
First Gas Power Corporation ("*FGPC*")	**11,994**	13,623
Excellent Energy Resources, Inc. ("*EERI*")	**9,036**	8,699
Masinloc Power Partners Co. Ltd. ("*MPPCL*")	**8,331**	4,251
GNPower Dinginin Ltd. Co. ("*GNPD*")	**6,421**	–
SBPL	**4,888**	5,029
FGP Corp. ("*FGP*")	**4,635**	6,405
San Miguel Energy Corporation ("*SMEC*")	**3,589**	3,704
Mariveles Power Generation Corporation ("*MPGC*")	**2,843**	–
San Roque Hydropower Inc. ("*SRHI*")	**2,552**	–
Independent Electricity Market Operator ("*IEMOP*")	**2,007**	9,477
RE Resources, Inc. ("*RERI*")	**986**	–
First NatGas Power Corp. ("*FNPC*")	**524**	–
ACEN Corporation ("*AC Energy*")	**233**	–
Southwest Luzon Power Generation Corporation	**212**	61
Solar Philippines Tarlac Corporation ("*Solar Philippines Tarlac*")	**146**	112
Sem-Calaca Power Corporation ("*Sem-Calaca*")	**118**	157
NSEC	**116**	115
Panay Energy Development Corporation ("*PEDC*")	**51**	–
Quezon Power (Philippines) Limited Company ("*QPPL*")	**–**	4,799
Limay Power Inc. ("*LPI*")	**–**	2,570
Therma Luzon, Inc. ("*TLI*")	**–**	346
Others	**1,581**	825
	₱92,730	₱86,427

The Philippine power supply environment continues to face structural tightening arising from a combination of factors, including the continuing Malampaya gas restriction, rising fuel indices and plant outages due to delayed preventive maintenance and forced outages, and delays in the commissioning of new generation projects. These conditions collectively heighten supply risks and increase exposure to *WESM* procurement.

MERALCO's baseload capacities with *SPI* (330 *MW*) and *SPPC* (670 *MW*) were terminated following the *ERC* denial of the Joint Motions for the Price Adjustment on Notices of *CIC* of *SPI* and *SPPC*. The matter was elevated to the *CA*, which set aside *ERC*'s denial. Subsequently, the *ERC* elevated the case to the *SC.* On July 4, 2024, the *SC* issued a Resolution denying the *ERC*'s Motion for Reconsideration.

Thereafter, the *ERC* approved the two (2) *CIC* claims of *SPI* and *SPPC* totalling ₱34.2 billion. *CIC* 1 totalling ₱5 billion is billable to customers beginning September 2025 billing period over six (6) months until full recovery. *CIC* 2 on the other hand totaling ₱29.3 billion is recoverable over 36 months starting the March 2026 billing period. *AC Energy* filed similar *CIC* claims totaling ₱2.56 billion. On January 26, 2026, the *ERC* granted *AC Energy*'s Updated and Supplemental Joint Motions for Price Adjustment and allowed *AC Energy* to recover from *MERALCO* customers the amount of ₱1.75 billion, over 12 months starting the March 2026 billing period.

The operations of *MERALCO, Clark Electric* and *Shin Clark Power,* in their capacity as *DU*s, as well as the *RES* business, may be adversely affected if the electricity suppliers are unable to generate and deliver contracted power. The power generation business is likewise exposed to fuel price volatility, particularly for supply contracts with fixed fuel rate arrangements, as compared to those with pass-through fuel mechanisms, resulting in heightened cost and margin pressures.

Competition

With the effectivity of the *DOE* circulars on Competitive Selection Process ("*CSP*") and its subsequent amendments and revisions since their publication in 2018, the execution of *PSA* by *MERALCO*'s power generation business has become increasingly competitive. The *CSP* framework is intended to promote transparency, competition and greater private sector participation in ensuring adequate generation capacity to serve the captive market.

However, given the heightened competition under the *CSP* regime, there can be no assurance that *MERALCO's* power generation business will consistently submit the most competitive bids in terms of price and other commercial parameters. As a result, *MERALCO*'s generation affiliates may not be awarded *PSA*s in certain *CSP* rounds, which could limit contracted capacities, reduce revenue opportunities, and adversely affect thefinancial condition and results of operations of the power generation business.

ELECTRIC POWER INDUSTRY DEVELOPMENTS AND UPDATES

The detailed discussions of the rate-making regulations and regulatory policies of the *ERC* which affect both *MERALCO, Clark El*ectric, and *Shin Clark Power* and other significant matters affecting the power industry players are found in Notes 2 and 32 to the consolidated financial statements.

OTHER QUANTITATIVE AND QUALITATIVE DISCLOSURES

(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in *MERALCO*'s liquidity increasing or decreasing in any material way.

On October 12, 2023, a Put Option Agreement was executed by and among *MGreen,* Solar Philippines Power Project Holdings, Inc. ("*SPPPHI*") and *SPNEC*, covering *MGreen*'s grant to *SPPPHI* of an option to require *MGreen* to purchase 8.0 million common shares at the price of ₱1.15 per share (the "Put Option Price"), for a total price of up to ₱9.2 billion. The Put Option Agreement also includes additional put option price equivalent to ₱0.10 per share or ₱800.0 million, subject to certain conditions. In January 2024, *MGreen* acquired 2.2 billion shares of *SPNEC,* attaining a 53.7% equity interest. The following month, *MGreen* extended a ₱6,700.0 million exchangeable loan to *SPPPHI*, which was settled in October 2025 by exchanging it for the remaining 5.8 billion common shares of *SPNEC*, resulting in derecognition of the liability related to the Put Option.

The purchase consideration in the Put Option Agreement included the value of certain entities which may be transferred back to *SPPPHI* at the option of *SPNEC*. On September 3, 2024, *SPNEC* exercised its put option and executed a Deed of Absolute Sale of Shares with *SPPPHI* to sell its shares in certain entities for ₱80.0 million. Consequently, *SPNEC* derecognized in its financial statements the related assets, liabilities, non-controlling interests and equity reserve of these entities with net amount of ₱176.0 million and recognized a loss of ₱96.0 million.

In March 2025, *MGreen* extended an additional loan to *SPPPHI* amounting to ₱6,259.1 million which was settled in exchange for 5.0 billion common shares of *SPNEC* in October 2025. As result, *MGreen*'s voting interest in *SPNEC* increased to 69.25% and a reduction in non-controlling interest amounting to ₱6,293.2 million was recognized.

Also in March 2025, Actis Rubyred (Singapore) Pte. Ltd., through its wholly owned subsidiary Actis Rubyred (Philippines) Holdings, Inc. ("*Actis*"), completed its subscription of a 40% equity stake in *MTerra Solar*, subject to certain conditions, for a total consideration of ₱29.9 billion. As part of this investment deal, *Actis* infused ₱17.8 billion in cash into *MTerra Solar*. Consequently, unpaid subscription price amounting to ₱12.1 billion was recognized as subscription receivable. On December 17, 2025, *MGreen* and *Actis* entered into a Memorandum of Agreement ("*MOA*"), establishing a mechanism for certain payments to *Actis*. As a result of these equity transactions, a ₱8.4 billion contingent liability was recognized, while the excess of ₱4.1 billion over *Actis* share in the net assets of *MTerra Solar* was recorded as an equity reserve.

MGen secured the Department of Energy's ("*DOE*") reaffirmation of the status of its *A1E* 1,200-*MW* ultra supercritical coal-fired power project as a Committed Project, which followed the agency's confirmation that the project remains outside the coverage of the coal moratorium policy.

(ii) Any events that will trigger direct or indirect contingent financial obligation that is material to *MERALCO*, including any default or acceleration of an obligation.

1. Mediation with National Power Corporation ("*NPC")*

On November 21, 1994, *MERALCO* entered into a 10-year Contract for Sale of Electricity ("*CSE*") with *NPC* beginning January 1, 1995, as required by the Department of Energy ("*DOE*") to address the concerns of the then creditors of *NPC*, following a crippling power supply crisis.

The *CSE,* rates and amounts charged to *MERALCO* were approved by the *BOD* of *NPC* and the then Energy Regulatory Board, respectively.

Separately, the *DOE* also required *MERALCO* to provide market for half of the output of the Camago-Malampaya gas field to allow the Government to generate revenues and foreign exchange savings to the extent of the fuel imports which shall be displaced.

In the early years of *CSE*, *MERALCO*'s total purchases from *NPC* exceeded the contract level. However, following the Asian crisis in 1997, a decline in energy demand occurred. A dispute ensued with a Settlement Agreement signed between *NPC* and *MERALCO* on July 15, 2003 which was filed with the *ERC* for approval. After the validity of the Settlement Agreement was questioned by the Office of the Solicitor General, the matter was elevated to the *RTC* under a petition for declaratory relief. The *RTC* Decision declaring the Settlement Agreement valid and binding, except for the pass-through provision which remains under the *ERC*'s jurisdiction, was affirmed by both the *CA* and *SC*.

In a Resolution dated September 28, 2022, the *SC* denied the Petition filed by the *OSG* and affirmed the validity of the *SA*. The *OSG* filed a Motion for Reconsideration. The *SC*, through a resolution dated April 3, 2024 denied the *OSG*'s motion. With this, the Resolution has attained finality and entry of judgment had been issued.

As at May 4, 2026, *MERALCO* is awaiting further action of the *ERC* on this matter.

2. Sucat-Araneta-Balintawak Transmission Line

The Sucat-Araneta-Balintawak transmission line, a two (2)-part 230 kV line in Metro Manila, includes the Araneta to Balintawak and the Sucat to Araneta legs, passing through Dasmariñas Village, Makati City.

On March 10, 2000, certain residents along Tamarind Road, Dasmariñas Village, filed a case against *NPC* with the *RTC-Makati* to stop the installation and energization of high voltage cables near their homes due to alleged health risks from the electromagnetic field emitted by said lines. The *RTC- Makati* granted a preliminary injunction on April 3, 2000, which was affirmed by the *SC* on March 23, 2006. *MERALCO* intervened, citing the significant impact of de-energization of the Sucat- Araneta line to the public and economy. Shutdown of the 230 *kV* line will result in widespread and rotating brownouts within *MERALCO*'s franchise area with certain power plants unable to run at their full capacities.

On September 8, 2009, the *RTC-Makati* allowed *MERALCO* and *NGCP* to intervene and dissolved the injunction, and required the posting of bonds to cover potential damages.

The case remains pending, and is still at the pre-trial stage, with disputes over expert depositions. As at May 4, 2026, *MERALCO* is awaiting further action from the *SC* on the matter.

3. RPT Assessments

On October 22, 2015, the *SC* ruled on an appeal of *MERALCO* declaring, among others, that the transformers, electric posts, transmission lines, insulators and electric meters are not exempted from *RPT* under the Local Government Code *("LGC")*. Thereafter, *MERALCO* began the process of settlement with the affected *LGU*s and filed for the recovery of the resulting *RPT* payments with the *ERC*.

Acting on petitions filed by *PEPOA* and *PHILRECA*, the *ERC* issued Resolution No. 2, Series of 2021, "Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes", approving the recovery of *RPT*, *LFT* and Business Taxes as pass-through charges and therefore excluded among the financial building blocks in the annual revenue requirement of *PBR*.

On March 26, 2026, following the petition filed by *PEPOA* seeking to amend the provisions of the foregoing resolution, the *ERC* issued Resolution No. 9, Series of 2026 providing for the "Revised Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes) of Distribution Utilities" allowing full recovery, as pass-through costs, the arrearages, excluding interests, penalties and other charges, imposed on the paid by *DU*s for the years prior to the effectivity of said rules.

4. LFT Assessments of Municipalities

Certain municipalities have served assessment notices on *MERALCO* for *LFT*. As provided in the Local Government Code, only cities and provincial governments may impose taxes on establishments doing business in their localities. On the basis of the foregoing, *MERALCO* and its legal counsel believe that *MERALCO* is not subject or liable for such assessments.

5. *SC* Decision on Unbundling Rate Case

On May 30, 2003, the *ERC* approved *MERALCO*'s unbundled tariffs that resulted in a total increase of ₱0.17 per *kWh* over the May 2003 tariff levels. On December 6, 2006, the *SC* En Banc set aside and reversed the *CA* ruling saying that *COA* audit is not a prerequisite in the determination of a utility's rates. However, the *SC* directed the *ERC* to request *COA* to conduct an audit of the books, records and accounts of *MERALCO*. The *COA* then submitted its audit report to the *ERC*.

On June 21, 2011, the *ERC* maintained its Decision dated March 20, 2003, and stated that the *COA* recommendation to apply disallowances under *PBR* to rate unbundling violates the principle against retroactive rate-making. On appeal, in a Decision dated November 13, 2019, the *SC*: (i) voided the adoption by the *ERC* of the current or replacement cost in the valuation of *MERALCO*'s *RAB*; and (ii) remanded the case to the *ERC* to determine, within 90 days from finality of the Decision: (a) the valuation of the *RAB* of *MERALCO*; and (b) the parameters whether expenses that are not directly and entirely related to the operation of a *DU* shall be passed on wholly or partially to consumers. The *SC* Decision is now final and executory.

Under *ERC* Resolution No. 19, Series of 2025, the *ERC* adopted its policy direction in compliance with the *SC* Decision. The *ERC* clarified that the ruling only applies to *MERALCO*'s unbundled rates from June 2003 to June 2007 and does not extend to other *DU*s, regulatory periods or affects final *ERC* decisions. The *ERC* also adopted the trending method for valuing *MERALCO*'s *RAB* for the affected period. A separate Order will be issued to *MERALCO* to submit a revised *RAB* valuation for the covered period using the trending method. The *ERC* will likewise determine the parameters for the pass-through of expenses not directly and entirely related to distribution operations for the same period. Pursuant to the *ERC* Resolution, the *ERC* issued an Order dated February 27, 2026, directing *MERALCO* to submit a new asset valuation report using the trending method for the period covered by the *SC* Decision. *MERALCO* complied with the *ERC*'s Order on May 3, 2026.

(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of *MERALCO* with unconsolidated entities or other persons created during the reporting period.

There are various outstanding contingent assets and liabilities which are not reflected in the accompanying consolidated financial statements. Refer to Note 29, *Contingencies and Legal Proceedings* and Note 30, *Significant Contracts and Commitments* to the consolidated financial statements for the updates on the Company's financial obligations.

(iv) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.

1. Retail Competition

On December 28, 2020, the *ERC* released Resolution No. 12, Series of 2020, entitled "A Resolution Prescribing the Timeline for the Implementation of Retail Competition and Open Access ("*RCOA*")". In said Resolution, the *ERC* expanded the coverage of *RCOA* for end-users with an average monthly peak demand of at least 500 *kW* in the preceding 12 months, on a voluntary basis. On August 15, 2025, the *ERC* released Resolution No. 22, Series of 2025, entitled "A Resolution Lowering the Eligibility Threshold for Retail Competition and Open Access

("*RCOA*") and Retail Aggregation Program ("*RAP*")". In said Resolution, the *ERC* lowered the demand threshold for eligibility to the Competitive Retail Electricity Market ("*CREM*")/*RCOA* to an average monthly peak demand of at least 100 *kW* effective June 26, 2026.

On September 24, 2021, *MERALCO* received a copy of the *SC* Decision wherein, among other matters, the *ERC* was also directed to promulgate the supporting guidelines to *DOE* Circular No. DC 2017-12-0013 and DC 2017-12-0014. The *ERC* promulgated *ERC* Resolution No. 13, Series of 2024 entitled "A Resolution Adopting the Omnibus Rules for Customer Choice Programs in the Retail Market", which consolidated the relevant regulations of the *ERC* on the different Customer Choice Programs, i.e., *RCOA* (now *CREM*), *GEOP* and Aggregation. The Omnibus Rules became effective on September 6, 2024.

2. Petition for Dispute Resolution against Philippine Electricity Market Corporation ("*PEMC*"), National Transmission Corporation ("*TransCo*"), *NPC* and Power Sector Assets and Liabilities Management Corporation ("*PSALM*")

A Petition for Dispute Resolution was filed by *MERALCO* against *PEMC*, *TransCo*, *NPC* and *PSALM,* as a result of the congestion in the transmission system of *TransCo* arising from the outages of the San Jose-Tayabas 500 *kV* Line 2 on June 22, 2008, and the 500 *kV* 600 Mega Volt-Ampere Transformer Bank No. 2 of *TransCo*'s San Jose, Bulacan substation on July 11, 2008. The Petition sought to, among others, direct *PEMC* to adopt the *NPC*- Time-of-Use ("*TOU*") rate or the price determined through the *ERC*-approved price substitution methodology of *PEMC* as approved by the *ERC*, as basis for its billing during the period of the congestion and direct *NPC* and *PSALM* to refund the transmission line loss components of the line rentals associated with *NPC/PSALM* bilateral transactions from the start of *WESM* operation on June 26, 2006.

The *ERC* eventualy found merit in *MERALCO*'s petition and ruled that there is double charging. Thus, *NPC* was directed to refund line rental adjustment to *MERALCO*. Discussions ensued on the methodology for segregation of line rental into congestion cost and line losses from the start of the *WESM* operation. Amounts of refunds were determined and *NPC* was directed to refund amounts collected for the period November 2006 to August 2012. Additionally, *MERALCO* was directed to file a petition agains several successor generating companies ("*SGC*s") to recover the line loss collected by them. Among subsequent filings was a Petition for Review on Certiorari (With Urgent *TRO* and/or Writ of Preliminary Mandatory Injunction Applications) filed by *PSALM.* The *CA* dismissed the Petition for Certiorari and upheld the decision on the *ERC* with respect to the double charging. Another *MR* filed by *PSALM* was also denied by the *CA* with *PSALM* elevating the case to the *SC*. The motion has been given due course and is awaiting further action of the *SC* on the Petition as of May 4, 2026.

3. Petition for Dispute Resolution Against *SPPC, MPPCL,* Aboitiz Power Renewables, Inc. ("*APRI*")*, TLI, SPI* and *Sem-Calaca*

On August 29, 2013, *MERALCO* filed a Petition for Dispute Resolution against *SPPC*, *MPPCL*, *APRI*, *TLI*, *SPI* and *Sem-Calaca.* Said Petition seeks the following: 1) refund of the 2.98% transmission line losses in the amount of ₱5.4 billion, inclusive of the ₱758 million line loss for the period September 2012 to June 25, 2013, from said *SGC*s; and 2) approval of *MERALCO*'s proposal to correspondingly refund to its customers the aforementioned line loss amounts, as and when the same are received from the *SGC*s, until such time that the said over-recoveries are fully refunded, by way of automatic deduction of the amount of refund from the computed monthly generation rate. On September 20, 2013, *MERALCO* received the *SGC*s' Joint Motion to Dismiss. On October 7, 2013, *MERALCO* filed its Comment on the said Joint Motion.

On October 8, 2013, *MERALCO* received the *SGC*s Manifestation and Motion, which sought, among other things, the cancellation of the scheduled initial hearing of the case, including the submission of the parties respective Pre-trial Briefs, until the final resolution of the *SGC*'s Joint Motion to Dismiss. On October 11, 2013, *MERALCO* filed its pre-trial brief. On October 14, 2013, *MERALCO* filed its Opposition to the *SGC*'s Manifestation and Motion. On October 24, 2013, *MERALCO* received the *SGC*'s Reply to its Comment on the Joint Motion to Dismiss. On October 29, 2013, *MERALCO* filed its Rejoinder. Thereafter, the *SGC*'s filed their Sur-Rejoinder dated November 4, 2013. As at May 4, 2026, the Joint Motion to Dismiss is pending resolution by the *ERC*.

4. Petition for Dispute Resolution with *NPC* on Premium Charges

On June 2, 2009, *MERALCO* filed a Petition for Dispute Resolution against *NPC* and *PSALM* with respect to *NPC*'s imposition of premium charges for the alleged excess energy it supplied to *MERALCO* covering the billing periods May 2005 to June 2006. The premium charges amounting to ₱315 million during the May-June 2005 billing periods have been paid but are the subject of a protest by *MERALCO*, and premium charges of ₱318 million during the November 2005, February 2006 and April to June 2006 billing periods are being disputed and withheld by *MERALCO*. *MERALCO* believes that there is no basis for the imposition of the premium charges. The hearings on this case have been completed. As at May 4, 2026, the Petition is pending resolution by the *ERC*.

5. *SC TRO* on *MERALCO*'s December 2013 Billing Rate Increase

After several hearings, petitions and motions, on August 3, 2022, the *SC* affirmed the December 9, 2013 letter of the *ERC* approving *MERALCO*'s proposal to implement a staggered collection over three (3) months and also voided the *ERC*'s March 3, 2014 Order imposing a regulated rate for the said period. A subsequent *MR* was denied with finality by the *SC* on October 11, 2022.

With the foregoing, *MERALCO* and *IEMOP* completed the reconciliation of the final amount to be recovered and a joint letter has been sent to the *ERC* on March 12, 2024 for implementation of the *SC* Decision. As of May 4, 2026, the parties are awaiting the decision of the *ERC* on the recovery of such pass-through charges.

6. *ERC* Investigating Unit *("IU")* Complaint

On December 26, 2013, the *ERC* constituted the *IU* under its Competition Rules to investigate possible anti-competitive behavior by the industry players and possible collusion that transpired in the *WESM* during the supply months of November 2013 and December 2013.

Several proceedings ensued at the *ERC, CA* and the *SC*. In a resolution dated September 29, 2021, the *SC* affirmed with the *CA* that the *ERC* has jurisdiction over the cases. In the meantime, the *ERC* resumed hearing to discuss updates and developments related to the case. Pre-trial conferences have been conducted and the *ERC* is in the process of resolving the pending motions filed by the GenCos and *MERALCO*. As of May 4, 2026, the parties are awaiting further action by the *ERC*.

7. *Ombudsman Case Against Directors*

Certain consumer groups charged the *MERALCO* directors and the *ERC* with alleged conspiracy on the misappropriation of bill deposits received from consumers. On May 18, 2018, the criminal complaint for syndicated estafa was dismissed but the case was referred to the *COA* for conduct of audit with respect to compliance therewith. A subsequent *MR* filed by the same consumer group was denied by the *SC*. Thereafter, the same consumer group filed an Urgent Motion for Immediate Execution dated September 21, 2018 praying that the Ombudsman issue a Writ of execution to implement the Resolution dated May 18, 2018. As at May 4, 2026, the matter is still pending.

8. *SC Decision on the ₱0.167 per kWh Refund*

Following the *SC*'s final ruling that directed *MERALCO* to refund affected customers ₱0.167 per *kWh* for billings made from February 1994 to April 2003, the *ERC* approved the release of the refund in four (4) phases.

On July 12, 2019, *MERALCO* filed its Compliance with Manifestation informing the *ERC* of its action taken with respect to all the unclaimed amounts of the *SC* Refund. On September 10, 2019, *MERALCO* filed an Urgent Manifestation and Motion with respect to the Order dated December 19, 2018 of the *ERC*. The *ERC* has yet to rule on the Urgent Manifestation and Motion by *MERALCO*. In its letter dated July 23, 2020, *MERALCO* informed the *ERC* of the updated balance of the *SC* Refund. *MERALCO* continues to process the refund claims of eligible customers.

An *ERC*-ordered audit of the *SC* Refund process and balance was performed by an independent firm of accountants in 2021. As at May 4, 2026, there has been no further action from the *ERC*.

9. *Overpayment of Income Tax related to SC Refund*

After several rounds of motions and appeals in the Court of Tax Appeals ("*CTA*"), the *CTA En Banc* on May 22, 2013 denied the motions of the *BIR* and *MERALCO*, and ordered the *CTA* Second Division to receive evidence and rebuttal evidence relating to *MERALCO*'s level of refund to customers, pertaining to the excess charges it made in taxable years 1994 - 1998, and 2000, corresponding to the amount of ₱5,796 million, as already determined by the said court.

The *BIR* appealed the *CTA* en Banc's Amended Decision on July 12, 2012 via a Petition for Review with the *SC*.

On October 2, 2024, the *SC* 2nd Division issued a Resolution granting the *BIR*'s appeal, which reversed and set aside the *CTA En Banc*'s Amended Decision and reinstated the May 8, 2012 Decision of the *CTA En Banc*. On December 20, 2024, *MERALCO* filed an Omnibus Motion with the *SC* for reconsideration of the said Resolution. As at May 4, 2026, the Omnibus Motion is pending resolution by the *SC*.

(v) Any significant elements of income or loss that did not arise from the registrant's continuing operations.

Not applicable.

(vi) Any seasonal aspects that had a material effect on the financial condition or results of operations.

Seasonality of Operations and Growth Drivers

Approximately 97% of *MERALCO Group*'s operating revenues pertain to electricity sold and distributed by *MERALCO* and *Clark Electric* and revenues from power generation business of *MGen* .

The electricity sales of *MERALCO*, *Clark Electric* and *Shin Clark* exhibit a clear pattern of quarterly seasonality. First quarter *kWh* sales are typically below the annual average, reflecting cooler weather conditions and softer consumer demand following heightened spending during the fourth quarter of the prior year. Second-quarter *kWh* sales are generally higher than the annual average, driven by several factors: increased electricity consumption of households and commercial establishments during the summer months; higher industrial production to replenish inventories and prepare for the opening of classes; and, increased construction activity taking advantage of favorable weather conditions. In the third quarter, manufacturing industries serving export markets typically operate at peak production levels as they rush to meet overseas shipping deadlines. At the same time, industries catering to the domestic market begin ramping up production in preparation for the Christmas season. Fourth quarter sales are generally around the annual average. Industrial activity moderates, while households and commercial establishments reduce cooling loads toward the latter part of the year. Given this seasonal pattern, a higher proportion of *MERALCO*'s and *Clark Electric*'s revenues is typically generated in the second half of the year. Beyond quarterly seasonality, year-ony-year movements in *kWh* sales are influenced by broader macroeconomic and environment factors. Electricity sales generally increase during periods of economic growth, low inflation and lower electricity rates, as well as during extended periods of high temperatures, such as those experienced during "*El Niño*" episodes.

MERALCO Group sales for the three months ended March 31, 2026 and 2025 are 12,273 *GWh* and 12,493 *GWh*, respectively.

The power generation business generally follows the seasonality of the distribution utility business. The businesses of all other subsidiaries are not highly seasonal.

(vii) Any known trends, demands, commitments, events or uncertainties that will have a material impact of the issuer's liquidity.

Management is not aware of any known trends, demands, commitments, events or uncertainties that may deem potentially have a material impact on *MERALCO* Group's liquidity as at March 31, 2026, other than those already disclosed in this report and in the consolidated financial statements.

(viii) Discussion of *MERALCO*'s and its majority-owned subsidiaries top five (5) key performance indicators. It shall include a discussion of the manner by which *MERALCO* calculates or identifies the indicators presented on a comparable basis.

Listed hereunder are *MERALCO*'s five (5) major subsidiaries namely *Clark Electric*, *MGen*, *MIESCOR, e-MVI* and *CIS*. The following table summarizes their key financial performance and indicators as at and for the three months ended March 31, 2026 and 2025.

Financial Highlights and Ratios[5] of Major Subsidiaries
As at and for the three monhs ended March 31, 2026 and 2025
(Amounts in million except for financial ratios and % change)

	Clark Electric			*MGen*			*MIESCOR*			*e-MVI*			*CIS*		
	2026	**2025**	**% change**	**2026**	**2025**	**% change**	**2026**	**2025**	**% change**	**2026**	**2025**	**% change**	**2026**	**2025**	**% change**
Percentage of ownership	65%	65%		100%	100%		100%	100%		100%	100%		100%	100%	
Condensed Statements of Financial Position															
Total assets	₱4,597	₱4,382	5	₱412,863	₱335,062	23	₱19,185	₱16,689	15	₱3,513	₱5,592	(37)	₱4,909	₱6,176	(21)
Current assets	2,043	1,938	5	68,924	66,293	4	11,591	9,105	27	1,566	1,795	(13)	4,796	5,971	(20)
Cash and cash equivalents	1,566	1,417	11	29,798	40,930	(27)	3,194	1,791	78	850	823	3	2,761	3,981	(31)
Equity	2,739	2,702	1	193,490	170,755	13	11,845	10,083	17	1,407	2,074	(32)	546	1,038	(47)
Total debt[6]	–	–	–	124,810	71,430	75	184	292	(37)	–	630	(100)	–	–	–
Current liabilities	856	736	16	33,603	42,096	(20)	6,807	6,158	11	1,159	1,672	(31)	4,248	4,972	(15)
Financial Ratios															
Debt-to-equity ratio	–	–	–	0.65	0.42	54	0.02	0.03	(46)	–	0.30	(100)	–	–	–
Current ratio	2.39	2.63	(9)	2.05	1.57	30	1.70	1.48	15	1.35	1.07	26	1.13	1.20	(6)
Condensed Statements of Income															
Revenues	1,161	1,015	14	7,794	7,314	7	3,005	2,242	34	735	575	28	345	549	(37)
Costs and expenses	1,058	925	14	5,879	5,502	7	2,531	2,024	25	650	554	17	320	518	(38)
Net income (loss)	114	94	21	5,657	4,202	35	428	166	158	65	11	491	28	35	(20)
Financial Ratios															
Profit margin	9.8%	9.3%	6	72.6%	57.5%	26	14.2%	7.4%	92	8.8%	1.9%	362	8.1%	6.4%	27
Return on equity	4.2%	3.5%	20	2.9%	2.5%	19	3.6%	1.6%	119	4.6%	0.5%	771	5.1%	3.4%	52
Asset turnover	0.26	0.24	8	0.02	0.03	(24)	0.17	0.10	75	0.16	0.10	61	0.06	0.08	(23)

[5]The manner of computing the financial ratios for subsidiaries is the same with that of *MERALCO's* as presented in *Financial Highlights and Key Performance Indicators*.
[6]Total Debt is composed of notes payable and interest-bearing long-term financial liabilities, current and noncurrent portions.

ANNEX – Aging of Trade and Other Receivables

As at March 31, 2026

(Amounts in millions)

	Total	1 - 30 days	31 - 60 days	61 - 90 days	Over 90 days
Trade receivables - energy	₱48,369	₱12,605	₱3,450	₱15,209	₱17,105
Other trade receivables - service contracts	17,789	13,488	353	282	3,666
Gross trade receivables	**66,158**	**26,093**	**3,803**	**15,491**	**20,771**
Non-trade receivables	12,790	12,351	18	–	421
Total receivables	**78,948**	**38,444**	**3,821**	**15,491**	**21,192**
Allowance for expected credit losses	**(9,649)**	**(151)**	**(445)**	**(964)**	**(8,089)**
Net receivables	**₱69,299**	**₱38,293**	**₱3,376**	**₱14,527**	**₱13,103**

Manila Electric Company and Subsidiaries

Consolidated Financial Statements
as at March 31, 2026 (Unaudited) and December 31, 2025 (Audited)
And

For the Three Months Ended March 31, 2026 and 2025 (Unaudited)

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	**March 31, 2026 (Unaudited)**	December 31, 2025 (Audited)
		(Amounts in millions)	
ASSETS			
Noncurrent Assets			
Utility plant, generation plant and others	*7 and 10*	**₱393,565**	₱378,232
Investments in associates and interests in joint ventures	*8 and 23*	**128,706**	140,440
Investment properties	*9*	**1,482**	1,483
Intangible assets	*7 and 10*	**40,480**	40,658
Deferred tax assets – net	*28*	**26,396**	25,706
Other noncurrent assets	*2, 11, 15, 26, 27 and 30*	**27,101**	24,136
Total Noncurrent Assets		**617,730**	610,655
Current Assets			
Cash and cash equivalents	*12 and 27*	**112,896**	109,317
Trade and other receivables	*13, 24 and 27*	**69,299**	76,726
Inventories	*14*	**10,828**	10,983
Other current assets	*11, 15, 23 and 27*	**19,037**	16,198
Total Current Assets		**212,060**	213,224
Total Assets		**₱829,790**	₱823,879
EQUITY AND LIABILITIES			
Equity Attributable to Equity Holders of the Parent Company			
Common stock	*16*	**₱11,273**	₱11,273
Additional paid-in capital		**4,111**	4,111
Equity reserve	*3*	**5,953**	5,953
Employee stock purchase plan	*16*	**1,049**	1,049
Hedging reserve	*16 and 27*	**1,509**	483
Unrealized fair value gains on financial assets at fair value through other comprehensive income ("*FVOCI*")	*11*	**1,018**	895
Remeasurement adjustments on retirement and other post-employment liabilities	*26*	**2,038**	2,035
Share in remeasurement adjustments on associates' retirement liabilities	*8*	**(28)**	(28)
Share in other comprehensive income and cumulative translation adjustments of associates	*8*	**1,863**	1,861
Cumulative translation adjustments of subsidiaries		**(689)**	(701)
Treasury shares	*16*	**(13)**	(13)
Retained earnings	*16*	**138,261**	146,219
Equity Attributable to Equity Holders of the Parent Company		**166,345**	173,137
Non-controlling Interests	*3 and 16*	**50,526**	50,387
Total Equity		**216,871**	223,524

(Forward)

	Note	**March 31, 2026 (Unaudited)**	December 31, 2025 (Audited)
		(Amounts in millions)	
Noncurrent Liabilities			
Interest-bearing long-term financial liabilities - net of current portion	*17 and 27*	**₱202,668**	₱186,531
Customers' deposits - net of current portion	*18, 22 and 27*	**39,901**	39,206
Long-term employee benefits	*26*	**14,392**	13,565
Provisions	*19, 22 and 29*	**12,148**	12,335
Refundable service extension costs - net of current portion	*22 and 27*	**3,356**	3,371
Deferred tax liabilities - net	*28*	**8,453**	8,432
Other noncurrent liabilities	*2, 3, 8, 24 and 29*	**83,759**	84,865
Total Noncurrent Liabilities		**364,677**	348,305
Current Liabilities			
Notes payable	*21 and 27*	**29,015**	36,367
Trade payables and other current liabilities	*2, 16, 22, 23, 27 and 29*	**203,768**	199,620
Customers' refund	*2, 20 and 27*	**2,850**	2,851
Income tax payable		**1,852**	1,764
Current portion of long-term employee benefits	*26*	**4,300**	4,300
Current portion of interest-bearing long-term financial liabilities	*17 and 27*	**6,457**	7,148
Total Current Liabilities		**248,242**	252,050
Total Liabilities		**612,919**	600,355
Total Liabilities and Equity		**₱829,790**	₱823,879

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

		Unaudited	
		For the Three Months Ended March 31	
	Note	**2026**	2025
		(Amounts in millions, except per share data)	
REVENUES			
Sale of electricity	*2 ,5, 6, 23, 24, 30 and 32*	**₱118,097**	₱111,753
Sale of other services	*23*	**2,682**	2,758
		120,779	114,511
COSTS AND EXPENSES			
Purchased power	*24 and 30*	**92,730**	86,427
Salaries, wages and employee benefits	*25 and 26*	**4,749**	5,343
Depreciation and amortization	*7, 9, 10 and 25*	**4,362**	3,975
Contracted services		**2,849**	2,715
Coal and fuel		**2,023**	2,178
Taxes, fees and permits		**895**	873
Power plant operations and maintenance cost		**769**	442
Provision for (reversal of provision) for probable charges and expenses from claims	*2,19 and 29*	**212**	(249)
Other expenses	*23 and 25*	**1,907**	1,356
		110,496	103,060
OTHER INCOME (EXPENSES)			
Equity in net earnings of associates and joint ventures	*8*	**4,891**	3,317
Interest and other financial charges	*17, 18 and 21*	**(2,085)**	(2,056)
Interest and other financial income	*11 and 12*	**805**	880
Foreign exchange gains (losses)		**(24)**	120
Others	*2, 5,7,8, 23, 30 and 32*	**(827)**	(845)
		2,760	1,416
INCOME BEFORE INCOME TAX		**13,043**	12,867
PROVISION FOR (BENEFIT FROM) INCOME TAX	*28*		
Current		**2,637**	2,822
Deferred		**(759)**	(902)
		1,878	1,920
NET INCOME		**₱11,165**	₱10,947
Attributable To			
Equity holders of the Parent	*31*	**₱10,833**	₱10,448
Non-controlling interests		**332**	499
		₱11,165	₱10,947
Earnings Per Share Attributable to Equity Holders of the Parent	*31*		
Basic		**₱9.61**	₱9.27
Diluted		**9.61**	9.27

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Unaudited	
		For the Three Months Ended March 31	
	Note	**2026**	2025
		(Amounts in millions)	
NET INCOME		**₱11,165**	₱10,947
OTHER COMPREHENSIVE INCOME			
Items that will be reclassified to profit or loss in subsequent periods:			
Unrealized fair value gains (losses) on fair value through other comprehensive ("*FVOCI*") financial assets	*11*	**112**	(572)
Cumulative translation adjustments of subsidiaries		**12**	–
Cumulative translation adjustments of associates		**2**	(28)
Net other comprehensive income (loss) that will be reclassified to profit or loss in subsequent periods		**126**	(600)
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement adjustments on retirement and other post-employment liabilities	*26*	**4**	76
Income tax effect		**(1)**	(19)
		3	57
Unrealized fair value gains on equity securities at *FVOCI*		**12**	11
Income tax effect		**(1)**	(1)
		11	10
Change in fair value of cash flow hedges	*16 and 27*	**1,026**	(1,277)
Net other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods		**1,040**	(1,210)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF INCOME TAX		**1,166**	(1,810)
TOTAL COMPREHENSIVE INCOME, NET OF INCOME TAX		**₱12,331**	₱9,137
Total Comprehensive Income Attributable To			
Equity holders of the Parent		**₱11,999**	₱8,638
Non-controlling interests		**332**	499
		₱12,331	₱9,137

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

MANILA ELECTRIC COMPANY AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2026

	Equity Attributable to Equity Holders of the Parent Company														
	Common Stock (Note 16)	**Additional Paid-in Capital**	**Equity Reserve** (Note 3)	**Employee Stock Purchase Plan** (Note 16)	**Hedging Reserve** (Notes 16 and 27)	**Unrealized Fair Value Gains on Financial Assets at *FVOCI*** (Note 11)	**Remeasure-ment Adjustments on Retirement and Other Post-Employment Liabilities** (Note 26)	**Share in Remeasure-ment Adjustments on Associates' Retirement Liabilities** (Note 8)	**Share in Other Comprehen-sive Income and Cumulative Translation Adjustments of Associates** (Note 8)	**Cumulative Translation Adjustments of Subsidiaries**	**Treasury Shares** (Note 16)	**Retained Earnings** (Note 16)	**Equity Attributable to Equity Holders of the Parent Company**	**Non-controlling Interests** (Notes 3 and 6)	**Total Equity**
	(Amounts in millions)														
At January 1, 2026	**₱11,273**	**₱4,111**	**₱5,953**	**₱1,049**	**₱483**	**₱895**	**₱2,035**	**(₱28)**	**₱1,861**	**(₱701)**	**(₱13)**	**₱146,219**	**₱173,137**	**₱50,387**	**₱223,524**
Net income	–	–	–	–	–	–	–	–	–	–	–	**10,833**	**10,833**	**332**	**11,165**
Other comprehensive income	–	–	–	–	**1,026**	**123**	**3**	–	**2**	**12**	–	–	**1,166**	–	**1,166**
Total comprehensive income	–	–	–	–	**1,026**	**123**	**3**	–	**2**	**12**	–	**10,833**	**11,999**	**332**	**12,331**
Dividends	–	–	–	–	–	–	–	–	–	–	–	**(18,791)**	**(18,791)**	–	**(18,791)**
Others	–	–	–	–	–	–	–	–	–	–	–	–	–	**(193)**	**(193)**
	–	–	–	–	–	–	–	–	–	–	–	**(18,791)**	**(18,791)**	**(193)**	**(18,984)**
At March 31, 2026	**₱11,273**	**₱4,111**	**₱5,953**	**₱1,049**	**₱1,509**	**₱1,018**	**₱2,038**	**(₱28)**	**₱1,863**	**(₱689)**	**(₱13)**	**₱138,261**	**₱166,345**	**₱50,526**	**₱216,871**

	Equity Attributable to Equity Holders of the Parent Company														
	Common Stock (Note 16)	Additional Paid-in Capital	Equity Reserve (Note 3)	Employee Stock Purchase Plan (Note 16)	Hedging Reserve (Note 16 and 27)	Unrealized Fair Value Gains on Financial Assets at *FVOCI* (Note 11)	Remeasure-ment Adjustments on Retirement and Other Post-Employment Liabilities (Note 26)	Share in Remeasure-ment Adjustments on Associates' Retirement Liabilities (Note 8)	Share in Other Comprehen-sive Income and Cumulative Translation Adjustments of Associates (Note 8)	Cumulative Translation Adjustments of Subsidiaries	Treasury Shares (Note 16)	Retained Earnings (Note 16)	Equity Attributable to Equity Holders of the Parent Company	Non-controlling Interests (Note 3 and 6)	Total Equity
	(Amounts in millions)														
At January 1, 2025	₱11,273	₱4,111	₱955	₱1,049	₱1,277	₱801	₱942	(₱28)	₱1,575	(₱682)	(₱13)	₱123,339	₱144,599	₱41,283	₱185,882
Net income	–	–	–	–	–	–	–	–	–	–	–	10,448	10,448	499	10,947
Other comprehensive income (loss)	–	–	–	–	(1,277)	(562)	57	–	–	(28)	–	–	(1,810)	–	(1,810)
Total comprehensive income (loss)	–	–	–	–	(1,277)	(562)	57	–	–	(28)	–	10,448	8,638	499	9,137
Dividends	–	–	–	–	–	–	–	–	–	–	–	(15,482)	(15,482)	–	(15,482)
Effect of changes in ownership in MERALCO PowerGen Corporation ("*MGen*")	–	–	3,990	–	–	–	–	–	–	–	–	–	3,990	6,130	10,120
Effect of changes in ownership in CIS Bayad Center, Inc. ("*Bayad*") and Radius Telecoms, Inc. ("*Radius*")	–	–	95	–	–	–	–	–	–	–	–	–	95	–	95
Others	–	–	–	–	–	–	–	–	–	–	–	–	–	(1)	(1)
	–	–	4,085	–	–	–	–	–	–	–	–	(15,482)	(11,397)	6,129	(5,268)
At March 31, 2025	₱11,273	₱4,111	₱5,040	₱1,049	₱–	₱239	₱999	(₱28)	₱1,575	(₱710)	(₱13)	₱118,305	₱141,840	₱47,911	₱189,751

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

MANILA ELECTRIC COMPANY AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

		Unaudited	
		For the Three Months Ended March 31	
	Note	**2026**	2025
		(Amounts in millions)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱13,043**	₱12,867
Adjustments for:			
Equity in net earnings of associates and joint ventures	*8*	**(4,891)**	(3,317)
Depreciation and amortization	*7, 9 and 10*	**4,362**	3,975
Interest and other financial charges	*17, 18 and 21*	**2,085**	2,056
Interest and other financial income	*11 and12*	**(805)**	(880)
Provision for probable losses and expenses from claims – net of settlement	*2 and 29*	**364**	1,602
Provision for (reversal of) expected credit losses ("*ECL*")		**(1)**	23
Others		**9**	(24)
Operating income before working capital changes		**14,166**	16,302
Decrease (increase) in:			
Trade and other receivables		**3,017**	(2,932)
Inventories		**155**	121
Financial and other current assets		**(3,543)**	1,656
Increase (decrease) in:			
Trade payables and other current liabilities		**(9,369)**	(8,368)
Customers' deposits		**710**	2,084
Customers' refund		**(1)**	–
Long-term employee benefits		**916**	858
Net cash flows provided by operating activities		**6,051**	9,721
Income tax paid		**(2,577)**	–
Net cash flows provided by operating activities		**3,474**	9,721
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Utility plant and others	*7*	**(19,424)**	(25,181)
Financial assets at *FVOCI*	*11*	**(10,968)**	(10,120)
Investments in associates and interests in joint ventures	*8*	**(10,381)**	(70,600)
Intangible assets	*10*	**(207)**	(11)
Short-term investments		**(27)**	(445)
Debt securities at amortized cost	*11*	**–**	(1)
Proceeds from maturity of:			
Financial assets at *FVOCI*		**11,028**	9,555
Short-term investments		**17**	–
Debt securities at amortized cost		**–**	308
Proceeds from the return of investment in Chromite Gas Holdings, Inc. ("*Chromite Holdings*")	*8*	**18,090**	–
Dividends received from associates and joint ventures		**2,734**	2,084
Cash flow hedge		**1,026**	(420)
Dividends paid by subsidiaries attributable to non-controlling interests		**(984)**	–
Interest and other financial income received		**836**	591
Proceeds from disposal of utility plant and others		**59**	42
Increase in minority interests		**–**	215
Increase in financial and other noncurrent assets		**(689)**	(152)
Net cash used in investing activities		**(8,890)**	(94,135)

(Forward)

		Unaudited	
		For the Three Months Ended March 31	
	Note	**2026**	2025
		(Amounts in millions)	
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Interest-bearing long-term financial liabilities	*17*	**₱17,770**	₱81,900
Notes payable	*21*	**1,162**	13,800
Payments of:			
Interest-bearing long-term financial liabilities	*17*	**(7,220)**	(701)
Notes payable		**(3,513)**	(119)
Interest and other financial charges		**(1,748)**	(1,476)
Dividends	*16*	**(458)**	–
Proceeds from capital infusion of a non-controlling interest	*3 and 13*	**3,000**	10,000
Increase (decrease) in other noncurrent liabilities		**44**	(290)
Net cash provided by financing activities		**9,037**	103,114
NET INCREASE IN CASH AND CASH EQUIVALENTS		**3,621**	18,700
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**109,317**	84,480
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		**(42)**	(56)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*12*	**₱112,896**	₱103,124

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

1. Corporate Information

The businesses of Manila Electric Company ("*MERALCO*") and its subsidiaries (the "*MERALCO Group*") consist of certain unregulated and regulated segments of the energy supply chain. The regulated business segment covers the electricity distribution business of *MERALCO*, Clark Electric Distribution Corporation ("*Clark Electric*"), and Shin Clark Power Corporation ("*Shin Clark Power*"). On the other hand, the unregulated businesses consist of power generation; retail electricity supply ("*RES*"); engineering design, construction and consultancy, payment fulfilment, bills collection and fintech, after-the-meter and energy management, insurance and reinsurance; electric mobility; and telecommunication and information technology services.

MERALCO holds a 25-year congressional franchise under Republic Act ("*RA*") No. 9209 valid through June 28, 2028 to construct, operate, and maintain the electric distribution system in the cities and municipalities of Bulacan, Cavite, Metro Manila, and Rizal and certain cities, municipalities and barangays in the provinces of Batangas, Laguna, Pampanga, and Quezon. The Energy Regulatory Commission ("*ERC*") granted *MERALCO* a consolidated Certificate of Public Convenience and Necessity ("*CPCN*") for the operation of electric service within its franchise area, which shall be valid within the franchise period. The franchise of *MERALCO* has been renewed for another 25 years through 2053 under *RA* No. 12146, "An Act Renewing for another twenty-five (25) years the Franchise Granted to the Manila Electric Company" under *RA* No. 9209, entitled "An act granting the Manila Electric Company a franchise to construct, operate and maintain a distribution system for the conveyance of electric power to the end-users in the Cities/Municipalities of Metro Manila, Bulacan, Cavite and Rizal, and certain Cities/Municipalities/Barangays in Batangas, Laguna, Quezon and Pampanga".

Clark Electric, a 65%-owned subsidiary of *MERALCO* is a registered private distribution utility with a franchise granted by Clark Development Corporation ("*CDC*") to own, operate and maintain the electric distribution system within the Clark Freeport Zone and the sub-zones. The *Clark Electric* franchise is valid through October 2047.

Through a 60%-owned subsidiary, Shin Clark Power Holdings, Inc. ("*Shin Clark Holdings*"), *MERALCO* together with a consortium, composed of Axia Power Holdings Philippines Corporation (a wholly-owned subsidiary of Marubeni Corporation), KPIC Netherlands BV [a wholly-owned subsidiary of the Kansai Electric Power, Inc. ("*Kansai*")], and Chubu Electric Power Co., Inc. ("*Chubu*"), hold a 90% interest in *Shin Clark Power*. *Shin Clark Power* is a company formed by *MERALCO* and the Bases Conversion and Development Authority ("*BCDA*") and bound by a 25-year joint venture agreement to provide electricity distribution services within the New Clark City ("*NCC*"). *NCC* consists of a 9,450 hectare development within the Clark Special Economic Zone located in Capas and Bamban towns in the Tarlac province.

MERALCO also manages the electric distribution facilities of Pampanga Electric Cooperative II ("*PELCO II*") through Comstech Integration Alliance, Inc. ("*Comstech*") under a 25-year Investment Management Contract ("*IMC*") until August 10, 2034 and that of the Cavite Economic Zone ("*CEZ*") under a 25-year concession agreement with Philippine Economic Zone Authority ("*PEZA*") until May 25, 2039.

The *RES* businesses are executed directly through the local *RES* units, *MPower* for *MERALCO* and *Cogent Energy* for *Clark Electric,* and indirectly through the following affiliate *RES* entities: Vantage Energy Solutions and Management, Inc. ("*Vantage*"), MeridianX Inc. ("*MeridianX*"), Phoenix Power Solutions, Inc. ("*Phoenix Power*") and MGen Retail Electricity Supplier Corporation ("*MGen RES*") formerly Global Energy Supply Corporation ("*GESC*"). Clarion Energy Management Inc. ("*Clarion*"), a wholly-owned subsidiary of *Clark Electric,* re-filed its application for a *RES* license with the *ERC* on October 20, 2025. Subsequently, on December 12, 2025, the *ERC* issued the *RES* license.

MERALCO PowerGen Corporation ("*MGen*"), a wholly owned subsidiary of *MERALCO*, owns and operates a total of 5,069.7 *MW* of power generating plants of varying technologies. Its operations is anchored on three (3) pillars: (i) 1,286.2 *MW* of thermal plants held through Global Business Power Corporation ("*GBPC*") and San Buenaventura Power Ltd. Co. ("*SBPL*"); (ii) 3,375.0 *MW* of liquefied natural gas ("*LNG*") plants in the Philippines and Singapore through *Chromite Holdings* and PacificLight Power Pte. Ltd. ("*PacificLight Power*"); and (iii) 408.5 *MWac* of renewable energy plants through MGEN Renewable Energy, Inc. ("*MGreen*"). Through SP New Energy Corporation ("*SPNEC*"), it is developing a 3500 *MWdc* solar power plant with a 4,500 *MWh* battery energy storage system.

MERALCO is owned directly by two (2) major shareholder groups, Metro Pacific Investments Corporation ("*Metro Pacific*") and JG Summit Holdings, Inc. ("*JG Summit*"). As at March 31, 2026, *Metro Pacific* has combined direct equity interest in *MERALCO* and indirect ownership through its wholly-owned subsidiary, Beacon Electric Asset Holdings, Inc. *Metro Pacific*'s combined direct and indirect ownership interests in *MERALCO* totaled 47.46% while *JG Summit* has 26.37% direct ownership interest in *MERALCO.* The remaining 26.17% common shares are held by institutional investors and the public.

The shares of *MERALCO* are listed and traded in the Philippine Stock Exchange ("*PSE*") with ticker symbol, *MER*.

The registered office address of *MERALCO* is Lopez Building, Ortigas Avenue, Barangay Ugong, Pasig City, Metro Manila, Philippines.

2. **Rate Regulations**

As distribution utilities ("*DU*s"), *MERALCO, Clark Electric* and *Shin Clark Power* are subject to the rate-making regulations and regulatory policies of the *ERC.* Billings of *MERALCO*, *Clark Electric* and *Shin Clark Power* to customers are itemized or "unbundled" into a number of bill components that reflect the various activities and costs incurred in providing electricity distribution services. The adjustment to each bill component is determined in accordance with *ERC*-approved mechanism that governs the recovery of pass-through charges, address over- or under- recoveries, and establish *MERALCO*'s distribution, supply and metering charges.

The following is a discussion of matters related to rate-setting of *MERALCO* and *Clark Electric*:

Performance-Based Regulations ("*PBR*")

MERALCO

MERALCO is among the Group A entrants to the *PBR*, together with three (3) other private *DU*s.

Rate-setting under *PBR* framework for the first Regulatory Period ("*RP*"), effective from July 1, 2026 to June 30, 2030 ("*1RP*"), is governed by the Rationalized Rules for the Setting of Distribution Wheeling Rates ("*RRDWR*"). Under *PBR*, tariffs are set once every *RP* based on a rate-setting framework which includes the required operating and capital expenditures as well as regulated return on the regulatory asset base ("*RAB*") of each *DU*, to meet operational performance and service level requirements responsive to the need for adequate, reliable and quality power, efficient service, and growth of all customer classes in the franchise area as approved by the *ERC*. *PBR* also employs a mechanism that penalizes or rewards a *DU* depending on its network and service performance.

Rate filings and settings are done on a *RP* basis. One (1) *RP* consists of four (4) Regulatory Years ("*RY*s"). Each *RY* for *MERALCO* begins on July 1 and ends on June 30 of the following year.

Implemented Distribution Rate During Lapsed Period

The *ERC*'s approved average rate for the Lapsed Period is ₱1.3522 per *kWh*. *MERALCO* was authorized to continue implementing the said rate until otherwise directed, net of the Regulatory Reset Fees in the amount of ₱0.0023 per *kWh*, which is directed to no longer be collected under *ERC* Resolution No. 18, Series of 2024.

MERALCO recognized provisions for any resulting over-recoveries. The movements in and the balance of the "Other noncurrent liabilities" and "Trade payables and other current liabilities" accounts in the consolidated statements of financial position include these provisions, consistent with the limited disclosure as allowed in Philippine Financial Reporting Standards ("*PFRS*") Accounting Standards as it may prejudice the position of *MERALCO*.

Regulatory Reset Costs

On December 17, 2024, in *ERC* Resolution No. 18, Series of 2024, the *ERC* also required *DU*s under *PBR* to refund the collected regulatory reset costs from July 2015 to October 2024, including interest. In the case of *MERALCO*, it was directed to refund the amount of ₱987.2 million, subject to further verification by the *ERC*. *MERALCO* implemented a one-time refund of ₱0.226 per *kWh* in its February 2025 billing, as a separate line item in its electricity bill to customers and no longer collect, as part of its distribution wheeling rate, the amount of ₱0.0023 per *kWh*, representing the regulatory reset costs. While *MERALCO* complied with the directives, in a letter dated January 17, 2025, *MERALCO* wrote the *ERC* to ask for the basis for the computations and basis for the refund. As at May 4, 2026, the *ERC* has yet to reply to *MERALCO*'s letter.

Distribution Rate True-Up ("DRTU") Applications

The *ERC*'s initial Orders for *DRTU* refunds totaling ₱48,247 million were implemented starting 2021 and have been fully refunded to the customers as of the May 2023 billing. This resulted in an excess refund of ₱862 million, which has been reported to the *ERC* in June 2023, including a proposed recovery mechanism. As at May 4, 2026, the *ERC* has not responded to *MERALCO*'s letter.

Several intervenors have filed petitions before the Court of Appeals ("*CA*") and the Supreme Court ("*SC*") questioning the *ERC*'s decision approving the *DRTU* refund application. As at May 4, 2026, the petitions are pending before the *CA* and *SC*.

In compliance with the Order dated December 17, 2024, *MERALCO* filed an application for the confirmation of the true-up calculation of the *AWAT* for the period July 1, 2022 to December 31, 2024. The application also included *MERALCO*'s proposal to offset the recovery of the over refund from the implementation of previous orders of *DRTU* refunds. In an Order dated March 5, 2025, the *ERC* directed the refund of ₱19.9 billion, or an equivalent average refund rate of ₱0.1189 per *kWh* for all customer classes but excluded the recovery of over-refund from the previous *AWAT* refund implementation as this was still to be verified by the *ERC*. *MERALCO* implemented the refund starting in its April 2025 billings. As at March 31, 2026, *MERALCO* has refunded a total of ₱6.3 billion. In the *ERC* Decision dated April 22, 2026, the *ERC* ordered the refund of the remaining unrefunded amount of ₱14.2 billion as of the February billing month or an equivalent average refund rate of ₱0.2511 per *kWh* over 12 months or until such time that the amount shall have been fully refunded to its customers.

Additionally, on August 20, 2025, *MERALCO* filed an application for the confirmation of the true-up calculation of the *AWAT* for the period January 1, 2025 to June 30, 2025. Under *ERC* Resolution No. 23, Series of 2025, entitled, "A Resolution Directing All Private Distribution Utilities ("*PDU*s") to File Their Respective *AWAT* Applications for the Lapsed Period", the *ERC* resolved to adopt a confirmation and true-up process in determining the rates of the *PDU*s to address the lapsed period for their respective Entry Groups and defined the lapsed period for each Entry Group. The *ERC* then directed all *PDU*s to file an application for the confirmation of their *AWAT* as against their last approved rates, within sixty (60) calendar days from the effectivity of the Resolution. However, in *ERC* Resolution No. 1, Series of 2026, the *ERC* clarified the timeline for filing of the *AWAT* and directed all *PDU*s to file, within one hundred twenty (120) days from the effectivity of the *AWAT* Resolution on November 22, 2025, or until March 22, 2026. *MERALCO* filed its application covering the period from July 1, 2025 to December 31, 2025 on or before the stated deadline. As at May 4, 2026, the *ERC* promulgated the Order dated April 1, 2026 setting both *ERC* Case Nos. 2025-178 RC and 2026-040 RC for joint hearing, effectively consolidating both cases.

Capital Expenditures ("CAPEX")

Absent the final rules governing the lapsed period from *RY* 2016, *MERALCO* filed its applications for approval of authority to implement its *CAPEX* program for each of the *RY*s beginning July 1, 2015 until June 30, 2022. This is consistent with the provisions of Section 20(b) of Commonwealth Act No. 146, as amended, otherwise known as the Public Service Act. For forecast *CAPEX* after June 30, 2022, the proposals were filed as part of *MERALCO*'s regulatory reset applications.

Except with respect to partial approval by the *ERC* of the *RY* 2016 *CAPEX* amounting to ₱15,466 million and provisional authority granted by the *ERC* to implement certain projects for *RY* 2017 amounting to ₱8,758 million, and approval of the *RY* 2018 *CAPEX* amounting to ₱16,370 million, all other applications remain pending with the *ERC*. As at May 4, 2026, *MERALCO* is awaiting the final resolution and approval of the *ERC*.

Pending *ERC*'s approval, *MERALCO* manifested several projects as "urgent" or "emergency in nature" and proceeded with the implementation of said *CAPEX*.

Regulatory Reset Process Application

MERALCO filed its reset application for the new 5*RP*, covering the period from *RY* 2026 to *RY* 2029, on February 7, 2025. As the first *RY* of this reset period lapsed, *MERALCO* filed an Omnibus Motion to: (a) withdraw the application; (b) allow *MERALCO* to re-file its 5*RP* Application to cover the period from *RY*2027-*RY*2030; and (c) to consider *RY*2026 as lapsed period. In an Order dated January 30, 2026, the *ERC* issued an Order allowing the withdrawal of the Application and directed *MERALCO* to file its new regulatory reset application in accordance with the *RRDWR*.

In accordance with the *RRDWR*, on February 2, 2026, *MERALCO* filed its regulatory reset application for the *1RP*, covering the period from July 1, 2026 to June 30, 2030. As at May 4, 2026, clarificatory hearings are ongoing. However, *MERALCO* filed its Formal Offer of Evidence on April 17, 2026.

Clark Electric

Similar to *MERALCO*, *Clark Electric* is subject to operational performance and service level requirements approved by the *ERC*.

On December 3, 2025, the *ERC* issued *ERC* Resolution No. 24, Series of 2025, adopting the *RRDWR* for *PDU*s under *PBR*. Pursuant thereto, *Clark Electric* was reclassified from Group D to Group B. Under the *RRDWR*, the first *RY* for Group B will commence on January 1, 2027 and end on December 31, 2027.

PBR Reset for Clark Electric

During its lapsed period, *Clark Electric* continued to bill its customers using the last approved *MAP* for *RY* 2015. In parallel, *Clark Electric* annually filed and manifested as urgent its *CAPEX* requirements with the *ERC* to enable the timely implementation of critical infrastructure projects. As at May 4, 2026, the *CAPEX* applications covering *RY* 2015 to *RY* 2024 remain pending with the *ERC* while *CAPEX* application for *RY* 2025 to *RY* 2026 is still pending filing with the *ERC*.

Following the adoption of the *RRDWR*, *Clark Electric* is currently preparing its Application for the Approval of the Annual Revenue Requirement ("*ARR*") and the Performance Incentive Scheme ("*PIS*") for the first *RY*, including the approval of the Maximum Average Price ("*MAP*") for *RY* 2027, and the translation of the approved *MAP* into a distribution rate structure for its various customer classes, in accordance with the provisions of the *RRDWR*.

Clark Electric recognized provisions for any resulting over-recoveries. The movements in and the balance of the "Provisions" account in the consolidated statements of financial position include these provisions, consistent with the limited disclosure as allowed in *PFRS* Accounting Standards as it may prejudice the position of *Clark Electric*.

SC Decision on Unbundling Rate Case

On May 30, 2003, the *ERC* approved *MERALCO*'s unbundled tariffs that resulted in a total increase of ₱0.17 per *kWh* over the May 2003 tariff levels. On December 6, 2006, the *SC* En Banc set aside and reversed the *CA* ruling saying that *COA* audit is not a prerequisite in the determination of a utility's rates. However, the *SC* directed the *ERC* to request *COA* to conduct an audit of the books, records and accounts of *MERALCO*. The *COA* then submitted its audit report to the *ERC*.

On June 21, 2011, the *ERC* maintained its Decision dated March 20, 2003, and stated that the *COA* recommendation to apply disallowances under *PBR* to rate unbundling violates the principle against retroactive rate-making. On appeal, in a Decision dated November 13, 2019, the *SC*: (i) voided the adoption by the *ERC* of the current or replacement cost in the valuation of *MERALCO*'s *RAB*; and (ii) remanded the case to the *ERC* to determine, within 90 days from finality of the Decision: (a) the valuation of the *RAB* of *MERALCO*; and (b) the parameters whether expenses that are not directly and entirely related to the operation of a *DU* shall be passed on wholly or partially to consumers. The *SC* Decision is now final and executory.

Under *ERC* Resolution No. 19, Series of 2025, the *ERC* adopted its policy direction in compliance with the *SC* Decision. The *ERC* clarified that the ruling only applies to *MERALCO*'s unbundled rates from June 2003 to June 2007 and does not extend to other *DU*s, regulatory periods or affects final *ERC* decisions. The *ERC* also adopted the trending method for valuing *MERALCO*'s *RAB* for the affected period. A separate Order will be issued to *MERALCO* to submit a revised *RAB* valuation for the covered period using the trending method. The *ERC* will likewise determine the parameters for the pass-through of expenses not directly and entirely related to distribution operations for the same period. Pursuant to the *ERC* Resolution, the *ERC* issued an Order dated February 27, 2026, directing *MERALCO* to submit a new asset valuation report using the trending method for the period covered by the *SC* Decision. *MERALCO* complied with the *ERC*'s Order on May 3, 2026.

Applications for the Confirmation of Under- or Over-recoveries of Pass-through Charges

MERALCO

The *ERC* issued resolutions to govern the recovery of pass-through costs, including under- or over-recoveries with respect to the following bill components: generation charge, transmission charge, *SL* charge, lifeline and inter-class rate subsidies, senior citizen discounts, real property, local franchise and business taxes, including the timelines for *DU*s to file their respective application and post-verification.

On various dates, the *ERC* provisionally approved *MERALCO*'s applications to refund net over-recoveries of generation, transmission, net lifeline subsidy, *SL* and net senior citizens discount totalling ₱657.4 million (February 2011 to October 2013) and ₱6,927 million (January 2014 to December 2016). As at May 4, 2026, *MERALCO* is awaiting final resolution of the *ERC*.

Separately, *MERALCO* also filed for recovery of net under-recoveries of generation charge for special programs of ₱250.7 million, excluding carrying charges, covering the period March 2007 to December 2011. As at May 4, 2026, the *ERC* has not acted on such application.

On June 1, 2023, *MERALCO* filed an application with the *ERC* to confirm its net generation charge under-recoveries of ₱6,413 million, net transmission charge under-recoveries of ₱607 million, net lifeline subsidy over-recoveries of ₱1 million, net *SL* under-recoveries of ₱764 million and net senior citizen discount over-recoveries of ₱3 million from January 2020 to December 2022, and net real property tax ("*RPT*") under-recoveries of ₱229 million and net local franchise tax ("*LFT*") over-recoveries of ₱27 million from January 2021 to December 2022. Initial hearings were conducted.

Relative to said true-up confirmation, in the Decision dated March 8, 2023, received on August 29, 2023, which approved the termination of the Power Supply Agreement ("*PSA*") between *MERALCO* and Panay Energy Development Corporation ("*PEDC*"), *MERALCO* was directed to include *PEDC*'s actual fuel losses due to Change in Circumstances ("*CIC*") from April 2 to September 25, 2022, amounting to ₱884 million as part of *MERALCO*'s true-up confirmation for *ERC*'s evaluation.

In compliance therewith, *MERALCO* filed a Motion for Leave to Admit Attached Supplemental Application with the *ERC* on October 3, 2023 to be allowed to recover the additional amount of ₱884 million pertaining to the recovery of the *CIC* claims of *PEDC*. *MERALCO* concluded the presentation of its witnesses on March 18, 2026 and thereafter filed its Formal Offer of Evidence on March 27, 2026. As at May 4, 2026, *MERALCO* is awaiting final resolution of the *ERC*.

MERALCO filed its application to confirm its over/under recoveries for the period from January 2023 to December 2025 which was docketed on April 8, 2026. As at May 4, 2026, *MERALCO* is awaiting the *ERC*'s Order setting the case for hearing.

Clark Electric

Clark Electric filed an application for the approval of its first calculations for the Automatic Cost Adjustment and True-up Mechanism for generation, transmission and *SL* rates on April 1, 2014 covering the period January 2011 to December 2013 in conformity with the *ERC* resolutions. After a clarificatory meeting with the *ERC, Clark Electric* filed a Manifestation for the implementation of the January 2017 *ERC* Decision starting in its March 2022 billing. The Other Transmission Cost Adjustment ("*OTCA*") and Other Generation Rate Adjustment ("*OGA*") were fully refunded and the Other System Loss Cost Adjustment ("*OSLA*") was fully collected in April 2023.

Clark Electric completed the implementation of *ERC* Orders related to the Automatic Cost Adjustment and True-up Mechanism for generation, transmission and system loss rates which covered years 2014 through 2019.

On May 31, 2023, *Clark Electric* filed its fourth True-up Application covering the years 2020-2022 with the *ERC*. Hearings were conducted on August 24 and 31, 2023. As at May 4, 2026, the application remains pending with the *ERC*.

On March 23, 2026, *Clark Electric* initiated the online pre-filing for its True-up Application covering the years 2023-2025 with the *ERC*. As at May 4, 2026, the pre-filing remains pending with the *ERC*.

Application for Approval of the Staggered Recovery and Payment of the Differential Generation Charge for February 2017 Supply

On January 31, 2017, *MERALCO* filed an Application seeking the *ERC*'s approval of the staggered recovery and payment scheme for the generation charge for the February 2017 supply month to mitigate the impact of scheduled outages and maintenance of certain generation power plants. On March 6, 2017, the *ERC* provisionally approved the recovery of the incremental fuel cost through a staggered scheme. The incremental fuel cost was included in the March 2017 until May 2017 billings to customers. As at May 4, 2026, the *ERC* has not issued its final decision.

Application for the Recovery of Differential Generation Costs

On February 17, 2014, *MERALCO* filed for the recovery of the unbilled generation costs for December 2013 supply month amounting to ₱11,075 million. An amended application was filed on

March 25, 2014 to adjust the unbilled generation costs for recovery to ₱1,310 million, following the receipt of the Wholesale Electricity Spot Market ("*WESM*") billing adjustments based on regulated Luzon *WESM* prices. The *ERC* suspended the proceedings, pending resolution of related cases at the *SC* involving generation costs for the November and December 2013 supply months and the regulated *WESM* prices for the said period.

In a Decision dated August 3, 2021, the *SC* voided the March 3, 2014 Order of the *ERC* which imposed regulated *WESM* prices for the November and December 2013 supply months. The Decision is now final and executory and entry of judgement has been issued by the *SC*. In a letter dated September 25, 2023, *MERALCO* wrote the *ERC* on its proposed recovery mechanism for the November and December 2013 supply months as a result of the Decision. As directed by the *ERC*, *MERALCO* and the Independent Electricity Market Operator ("*IEMOP*") have completed the reconciliation of the final amount to be recovered, and have sent a joint letter dated March 12, 2024 to the *ERC*. As at May 4, 2026, the same is pending with the *ERC*.

Deferred Purchase Price Adjustment

On October 12, 2009, the *ERC* released its findings on *MERALCO*'s implementation of the collection of the approved pass-through cost under-recoveries for the period June 2003 to January 2007 which *MERALCO* has implemented beginning November 2009 until September 2010. However, the *ERC* did not rule on *MERALCO*'s deferred *PPA* under-recoveries of ₱106 million. On November 4, 2009, *MERALCO* filed an *MR* with the *ERC*. As at May 4, 2026, the *MR* is still pending resolution by the *ERC*.

Applications for Recovery of LFT

MERALCO has filed distinct applications with request for provisional authority to implement new *LFT* rates based on Ordinances from the cities of Manila, Quezon, Binan, Makati, Valenzuela, Taguig and Pasig. Some hearings have been completed and are awaiting final approval. Applications for recovery of taxes paid have been filed and pending decision of the *ERC*.

Thereafter, *LFT* paid are subject to a pass-though mechanism under the *ERC* Resolution No. 2, Series of 2021, "Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes").

SC Decision on the ₱0.167 per kWh Refund

Following the *SC*'s final ruling that directed *MERALCO* to refund affected customers ₱0.167 per *kWh* for billings made from February 1994 to April 2003, the *ERC* approved the release of the refund in four (4) phases.

On July 12, 2019, *MERALCO* filed its Compliance with Manifestation informing the *ERC* of its action taken with respect to all the unclaimed amounts of the *SC* Refund. On September 10, 2019, *MERALCO* filed an Urgent Manifestation and Motion with respect to the Order dated December 19, 2018 of the *ERC*. The *ERC* has yet to rule on the Urgent Manifestation and Motion by *MERALCO*. In its letter dated July 23, 2020, *MERALCO* informed the *ERC* of the updated balance of the *SC* Refund. *MERALCO* continues to process the refund claims of eligible customers.

An *ERC*-ordered audit of the *SC* Refund process and balance was performed by an independent firm of accountants in 2021. As at May 4, 2026, there has been no further action from the *ERC*.

See Note 20 – Customers' Refund.

3. Statement of Compliance and Basis of Consolidation

Statement of Compliance

The consolidated financial statements of *MERALCO* and its subsidiaries have been prepared in compliance with *PFRS* Accounting Standards.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of *MERALCO* and its directly and indirectly owned subsidiaries, collectively referred to as the *MERALCO Group.* The following table presents such subsidiaries and the respective percentage of ownership:

			2026		2025	
	Place of		Percentage of Ownership			
Subsidiaries	Incorporation	Principal Business Activity	Direct	Indirect	Direct	Indirect
Corporate Information Solutions, Inc. ("*CIS*")	Philippines	e-Transactions	**100**	**–**	100	–
Bayad [5]	Philippines	Bills payment collection	**5**	**87.75**	5	87.75
Customer Frontline Solutions, Inc. ("*CFSI*") [4]	Philippines	Tellering services	**–**	**–**	–	100
Meralco Energy, Inc. ("*MServ*")	Philippines	Energy systems management	**100**	**–**	100	–
Aurora Managed Power Services, Inc. ("*AMPSI*") [1]	Philippines	Energy systems management	**–**	**60**	–	60
eMeralco Ventures, Inc. ("*e-MVI*")	Philippines	e-Business development	**100**	**–**	100	–
Paragon Vertical Corporation ("*Paragon*")	Philippines	Information technology *("IT")* and multi-media services	**–**	**100**	–	100
Radius	Philippines	Telecommunication services	**–**	**65.10**	–	65.10
MGen	Philippines	Development of power generation plants	**100**	**–**	100	–
Calamba Aero Power Corporation [2]	Philippines	Power generation	**–**	**100**	–	100
Atimonan Land Ventures Development Corporation	Philippines	Real estate	**–**	**100**	–	100
Atimonan One Energy, Inc. ("*A1E*") [2]	Philippines	Power generation	**–**	**100**	–	100
MPG Mauban LP Corporation	Philippines	Holding company	**–**	**100**	–	100
MPG Holdings Phils., Inc.	Philippines	Holding company	**–**	**100**	–	100
MPG Asia Limited ("*MPG Asia*")	British Virgin Islands	Holding company	**–**	**100**	–	100
Solvre, Inc. [2]	Philippines	Retail electricity supplier	**–**	**100**	–	100
MGreen	Philippines	Renewable energy	**–**	**100**	–	100
LagunaSol Corporation ("*LagunaSol*") [2]	Philippines	Renewable energy	**–**	**100**	–	100
Greentech Solar Energy, Inc. *("GSEI")*	Philippines	Renewable energy	**–**	**100**	–	100
MGreen International Limited ("*MGreen International*")	British Virgin Islands	Holding company	**–**	**100**	–	100
Global Hydro Power Corporation	Philippines	Power generation	**–**	**100**	–	100
PacificLight Renewables Pte Ltd ("*PLP Renewables*")	British Virgin Islands	Investment and holding company	**–**	**58**	–	58
Nortesol III Inc. ("*NorteSol*") [2]	Philippines	Renewable energy	**–**	**70**	–	70
Powersource First Bulacan Solar, Inc. ("*First Bulacan*")	Philippines	Renewable energy	**–**	**60**	–	60
CACI Power Corporation	Philippines	Power generation	**–**	**60**	–	60
PH Renewables Inc. ("*PHRI*")	Philippines	Power generation	**–**	**60**	–	60
Greenergy For Global Inc. ("*Greenergy*")	Philippines	Renewable energy	**–**	**98.16**	–	98.16

Subsidiaries	Place of Incorporation	Principal Business Activity	**2026** Percentage of Ownership Direct	**2026** Percentage of Ownership Indirect	2025 Percentage of Ownership Direct	2025 Percentage of Ownership Indirect
SPNEC	Philippines	Development of power generation plants	–	**57.33**	–	69.25
Terra Nueva, Inc. ("*TNI*")	Philippines	Real estate	–	**57.33**	–	69.25
Solar Philippines Tarlac Corporation ("*Solar Philippines Tarlac*")	Philippines	Renewable energy	–	**57.33**	–	69.25
Terra Solar Philippines, Inc. ("*MTerra Solar*")	Philippines	Renewable energy	–	**34.40**	–	41.55
Solar Philippines Calatagan Corporation ("*Solar Philippines Calatagan*")	Philippines	Renewable energy	–	**35.55**	–	42.94
SP Holdings, Inc.	Philippines	Holding company	–	**57.33**	–	69.25
GBPC	Philippines	Holding company	–	**100**	–	100
ARB Power Ventures, Inc.	Philippines	Holding company	–	**100**	–	100
Toledo Power Company ("*TPC*")	Philippines	Power generation	–	**100**	–	100
Toledo Holdings Corporation	Philippines	Real estate		**100**		100
Global Trade Energy Resources Corp.	Philippines	Trading of coal	–	**100**	–	100
GBH Power Resources, Inc.	Philippines	Power generation	–	**100**	–	100
MGen RES	Philippines	Retail electricity supplier	–	**100**	–	100
Toledo Energy Development Corporation formerly Mindanao Energy Development Corporation	Philippines	Power generation	–	**100**	–	100
Global Renewable Power Corporation	Philippines	Renewable energy	–	**100**	–	100
Panay Power Holdings Corporation	Philippines	Holding company	–	**89.30**	–	89.30
PEDC	Philippines	Power generation	–	**89.30**	–	89.30
Panay Power Corporation ("*Panay Power*")	Philippines	Power generation	–	**89.30**	–	89.30
Global Formosa Power Holdings, Inc.	Philippines	Holding company	–	**93.20**	–	93.20
Cebu Energy Development Corporation ("*CEDC*")	Philippines	Power generation	–	**52**	–	52
Global Luzon Energy Development Corporation ("*GLEDC*")	Philippines	Power generation	–	**57**	–	57
Lunar Power Core, Inc.	Philippines	Holding company	–	**57**	–	57
MGen Gas Energy Holdings, Inc. ("*MGas*")	Philippines	Holding company	–	**100**	–	100
MSpectrum, Inc. ("*Spectrum*")	Philippines	Renewable energy	**100**	–	100	–
Vantage	Philippines	Retail electricity supplier	**100**	–	100	–
Meralco Financial Services Corporation ("*Finserve*")	Philippines	Property management and leasing	**100**	–	100	–
Lighthouse Overseas Insurance Limited ("*LOIL*")	Bermuda	Insurance	**100**	–	100	–
MRAIL, Inc. ("*MRail*")	Philippines	Engineering, construction and maintenance of mass transit system	**100**	–	100	–
Phoenix Power [2]	Philippines	Retail electricity supplier	**100**	–	100	–
Movem Electric, Inc. ("*Movem*")	Philippines	Maintenance and operation of transport service networks	**100**	–	100	–
Meralco Industrial Engineering Services Corporation ("*MIESCOR*") [3]	Philippines	Engineering, construction and consulting services	**99.74**	–	99.74	–
Miescor Builders Inc. ("*MBI*")	Philippines	Electric transmission and distribution operation and maintenance services	–	**99.74**	–	99.74
Miescor Logistics Inc. ("*MLI*")	Philippines	General services, manpower/maintenance	–	**99.74**	–	99.74
Customer Frontline Solutions, Inc. ("*CFSI*") [4]	Philippines	Tellering services	–	**99.74**	–	–
Clark Electric	Philippines	Power distribution	**65**	–	65	–
Clarion [2]	Philippines	Retail electricity supplier	–	**65**	–	65
Comstech	Philippines	Management of power distribution	**60**	–	60	–

Subsidiaries	Place of Incorporation	Principal Business Activity	**2026** Percentage of Ownership Direct	**2026** Percentage of Ownership Indirect	2025 Percentage of Ownership Direct	2025 Percentage of Ownership Indirect
MeridianX	Philippines	Retail electricity supplier	**–**	**60**	–	60
Greater Pampanga Power Corp. [2]	Philippines	Power distribution	**–**	**60**	–	60
Meridian Power Ventures Limited ("*MPV Limited*") [2]	Hongkong	Investment holdings	**100**	**–**	100	–
Shin Clark Holdings	Philippines	Holding company	**60**	**–**	60	–
Shin Clark Power	Philippines	Power distribution	**–**	**54**	–	54

[1] *The BOD of AMPSI approved the dissolution and shortening of corporate life until March 31, 2021. As of March 31, 2026, the dissolution and shortening of corporate life of AMPSI is still pending approval by the SEC.*
[2] *Has not started commercial operations.*
[3] *MIESCOR Retirement Fund has less than 1% equity interest in MIESCOR.*
[4] *In September 2025, MIESCOR completed the acquisition of 400,000 common shares of CFSI from Bayad, representing 100% equity interests.*
[5] *Bayad is currently owned by CIS, Kayana, and MERALCO with equity interests of 85%, 10%, and 5%, respectively. On April 17, 2026, MERALCO, CIS and Kayana signed a Share Purchase Agreement for the sale of 90% share in Bayad to Kayana. The completion of the transaction is subject to the satisfaction of certain conditions precedent.*

The *MERALCO Group* controls an investee if and only if it has (a) power over the investee; (b) exposure or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect its returns.

When the *MERALCO Group* has less than majority of the voting or similar rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual arrangements; and (c) the *MERALCO Group*'s voting rights and potential voting rights.

The *MERALCO Group* re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one (1) or more of the three (3) elements of control. Consolidation of a subsidiary begins when the *MERALCO Group* obtains control over the subsidiary and ceases when it loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date it gains control until the date it ceases to control the subsidiary.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events with similar circumstances. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not attributed, directly or indirectly, to *MERALCO*.

Non-controlling interests account is presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the parent company.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if such results in a deficit.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. In transactions where the non-controlling interest is acquired or sold without loss of control, any excess or deficit of consideration paid over the carrying amount of the non-controlling interest is recognized as part of "Equity reserve" account in the equity attributable to the equity holders of the parent company in the consolidated statement of financial position.

If the *MERALCO Group* loses control over a subsidiary, it: (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary; (b) derecognizes the carrying amount of any non-controlling interest; (c) derecognizes the cumulative translation adjustments deferred in equity; (d) derecognizes the equity reserve attributable to the change in ownership of the subsidiary without loss of control; (e) recognizes the fair value of the consideration received; (f) recognizes the fair value of any investment retained; (g) recognizes any surplus or deficit in profit or loss; and (h) reclassifies *MERALCO*'s share of components previously recognized in the consolidated statement of comprehensive income to the consolidated statement of income.

Changes in Ownership

MTerra Solar

In March 2025, Actis Rubyred (Singapore) Pte. Ltd., through its wholly owned subsidiary Actis Rubyred (Philippines) Holdings, Inc. ("*Actis*"), completed its subscription of a 40% equity stake in *MTerra Solar*, subject to certain conditions, for a total consideration of ₱29.9 billion. As part of this investment deal, *Actis* infused a total ₱20.8 billion in cash into *MTerra Solar* as at March 31, 2026. Consequently, unpaid subscription price as at March 31, 2026 and December 31, 2025 amounting to ₱9.1 billion and ₱12.1 billion was recognized as subscription receivable. On December 17, 2025, *MGreen* and *Actis* entered into a Memorandum of Agreement ("*MOA*"), establishing a mechanism for certain payments to *Actis*. As a result of these equity transactions, a ₱8.4 billion contingent liability was recognized, while the excess of ₱4.1 billion over *Actis* share in the net assets of *MTerra Solar* was recorded as an equity reserve.

Solar Philippines Tarlac

In June 2025, *Solar Philippines Tarlac* redeemed the preferred shares held by Prime Metro Power Holdings amounting to ₱1,500.0 million and settled dividends amounting to ₱300.0 million. As a result, the difference between the redemption of shares and settlement of dividends and the ₱2,348.0 million balance of the non-controlling interest amounting to ₱547.6 million was recognized as an equity reserve.

SPNEC

On October 12, 2023, a Put Option Agreement was executed by and among *MGreen,* Solar Philippines Power Project Holdings, Inc. ("*SPPPHI*") and *SPNEC*, covering *MGreen*'s grant to *SPPPHI* of an option to require *MGreen* to purchase 8.0 million common shares at the price of ₱1.15 per share (the "Put Option Price"), for a total price of up to ₱9.2 billion. The Put Option Agreement also includes additional put option price equivalent to ₱0.10 per share or ₱800.0 million, subject to certain conditions. In January 2024, *MGreen* acquired 2.2 billion shares of *SPNEC,* attaining a 53.7% equity interest. The following month, *MGreen* extended a ₱6,700.0 million exchangeable loan to *SPPPHI*, which was settled in October 2025 by exchanging it for the remaining 5.8 billion common shares of *SPNEC*, resulting in derecognition of the liability related to the Put Option.

The purchase consideration in the Put Option Agreement included the value of certain entities which may be transferred back to *SPPPHI* at the option of *SPNEC*. On September 3, 2024, *SPNEC*

exercised its put option and executed a Deed of Absolute Sale of Shares with *SPPPHI* to sell its shares in certain entities for ₱80.0 million. Consequently, *SPNEC* derecognized in its financial statements the related assets, liabilities, non-controlling interests and equity reserve of these entities with net amount of ₱176.0 million and recognized a loss of ₱96.0 million.

In March 2025, *MGreen* extended an additional loan to *SPPPHI* amounting to ₱6,259.1 million which was settled in exchange for 5.0 billion common shares of *SPNEC* in October 2025. As result, *MGreen*'s voting interest in *SPNEC* increased to 69.25% and a reduction in non-controlling interest amounting to ₱6,293.2 million was recognized.

Furthermore, *MGreen* derecognized the liability related to the initial investment in *SPNEC* amounting to ₱2,200.0 million following change in management decision to proceed with the planned acquisition of 1.6 billion common shares of *SPNEC* in 2025. Consequently, a corresponding increase in non-controlling interest and equity reserve amounting to ₱2,010.9 million and ₱189.1 million, respectively, was recognized.

On January 14, 2026, *SPNEC* redeemed the 19.4 billion preferred shares issued to *MGreen* for ₱194.0 million. As a result, *MGreen*'s voting interest was reduced to 57.33%.

MIDC

On March 1, 2024, *MIESCOR* entered into a Multi-Party Share Swap Agreement with Connect Infrastructure (Philippines) Pte. Limited ("*Connect*"), PTCI Holdings Pte. Ltd. ("*PHPL*"), and Pylon Holdings Corp. ("*Pylon*"). Under the agreement, the shareholders of *MIDC* and PhilTower Consortium, Inc. ("*PhilTower*") (collectively referred to as the "*TowerCos*") shall transfer their respective ownerships in the *TowerCos* to Pylon. After the swap, *MIESCOR* owns 25.56% of *Pylon* with *Pylon* owning 100% each of *MIDC* and *PhilTower*. As a result, *MIESCOR* lost its power to govern the financial and operating policies of *MIDC* with the reduction in the voting rights at meetings of the Board of Directors.

Accordingly, upon approval by the Philippine Competition Commission ("*PCC")* and the Securities and Exchange Commission ("*SEC")*, and completion of other conditions of the transaction on September 13, 2024, *MIESCOR* derecognized in its financial statements the related assets, liabilities and non-controlling interests of *MIDC*, and recognized an investment in *Pylon* equivalent to the carrying amount of its investment in *MIDC.* No gain or loss was recognized as a result of the transaction.

Radius

On April 30, 2024, *PLDT* subscribed to 2,491,516 common shares of *Radius*, representing 34.9% equity interest for ₱2.1 billion. As a result, *MERALCO* recognized a non-controlling interest and equity reserve of ₱1.0 billion and ₱1.1 billion, respectively, as it retained majority of voting rights in *Radius*.

Bayad

On July 31, 2024, *CIS* sold its 10% equity interest in *Bayad* to *Kayana* for ₱320.0 million. *MERALCO* recognized a non-controlling interest and equity reserve of ₱35.8 million and ₱237.6 million, respectively, as it retained majority of voting rights in *Bayad.*

On December 9, 2024, *Densan* sold its 5% equity interest in *Bayad* and *CFSI* for ₱241.5 million to *MERALCO*. Consequently, *MERALCO* recognized a reduction in non-controlling interest and equity reserve of ₱19.9 million and ₱221.6 million, respectively.

4. Material Accounting Policies, Changes and Improvements

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial period, except for the adoption of new standards effective in 2026. The *MERALCO Group* has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the *MERALCO Group*.

- Amendments to Illustrative Examples on *PFRS 7*, *PFRS 18*, *PAS 1*, *PAS 8*, *PAS 26* and *PAS 37*, *Disclosures about Uncertainties in the Financial Statements*
- Amendments to *PFRS 9* and *PFRS 7*, *Classification and Measurement of Financial Instruments*
- Amendments to PFRS 9 and PFRS 7, *Contracts Referencing Nature-dependent Electricity*
- Annual Improvements to *PFRS* Accounting Standards - Volume 11
  - Amendments to *PFRS 1*, *Hedge Accounting by a First-time Adopter*
  - Amendments to *PFRS 7*, *Gain or Loss on Derecognition*
  - Amendments to *PFRS 9*, *Lessee Derecognition of Lease Liabilities* and *Transaction Price*
  - Amendments to *PFRS 10*, *Determination of a 'De Facto Agent'*
  - Amendments to *PAS 7*, *Cost Method*

The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Earlier adoption is permitted, and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments have no material impact on the consolidated financial statements of the *MERALCO Group*.

Pronouncements issued but not yet effective are listed below. The *MERALCO Group* intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the *MERALCO Group*'s consolidated financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2027

- *PFRS 17, Insurance Contracts*
- *PFRS 18*, *Presentation and Disclosure in Financial Statements*
- *PFRS 19*, *Subsidiaries without Public Accountability*

Deferred effectivity

Amendments to *PFRS 10*, *Consolidated Financial Statements*, and *PAS 28*, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Material Accounting Policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are as follows:

Utility Plant, Generation Plant and Others

Utility plant, generation plant and others, except land, are stated at cost, net of accumulated depreciation, amortization and impairment losses, if any. Cost includes the cost of replacing part of such utility plant, generation plant and other properties when such cost is incurred, if the recognition criteria are met. All other repair and maintenance costs are charged to operating expenses as incurred in the consolidated statement of income. The present value of the expected cost for the decommissioning of the asset after use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land is stated at cost less any impairment in value.

The *MERALCO Group*'s utility plant, generation plant and others acquired before January 1, 2004 are stated at deemed cost. The revalued amount recorded as at January 1, 2004 was adopted as deemed cost as allowed by the transition provisions of *PFRS 1*. The balance of revaluation increment was closed to the retained earnings account.

See *Note 16 – Equity* for the related discussion.

Depreciation and amortization of utility plant, generation plant and others are computed using the straight-line method over the following estimated useful lives:

Asset Type	Estimated Useful Lives
Subtransmission and distribution	10-40 years, depending on the life of the significant parts
Power plant machinery and equipment	3-25 years
Buildings and improvements	15-40 years
Data transmission cables and communication equipment	5-15 years
Office furniture, fixtures and other equipment	5-20 years
Transportation equipment	5-10 years
Others [(include right-of-use ("*ROU*") assets]	2-45 years

An item of utility plant, generation plant and others is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising as a result of the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the period the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation and amortization are reviewed, and adjusted prospectively, if appropriate, at each reporting period to ensure that the residual values, periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from items of utility plant, generation plant and others.

Construction in Progress

Construction in progress is stated at cost, which includes cost of construction, plant and equipment, capitalized borrowing costs and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are substantially completed and available for their intended use.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities necessary to prepare the qualifying asset for its intended use or sale have been undertaken and expenditures and borrowing costs have been incurred. Borrowing costs are capitalized until the asset is substantially completed and available for its intended use.

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as any exchange differences arising from any foreign currency denominated borrowings used to finance the projects, to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are expensed as incurred.

Investments in Associates and Interests in Joint Ventures

An associate is an entity where *MERALCO Group* has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but has no control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investments in associates and interests in joint ventures are accounted for using the equity method and are initially recognized at cost.

Under the equity method, the investment in an associate or interest in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

If its share in losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the *MERALCO Group* discontinues recognizing its share of further losses. The interest in an associate or joint venture is the carrying amount of the investment or joint venture determined using the equity method together with any long-term interest that in substance forms part of the *MERALCO Group*'s net investment in associate or joint venture.

After the *MERALCO Group*'s interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the *MERALCO Group* has incurred legal or constructive obligation or made payments in behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, it resumes recognizing its share of their profits only after its share of the profit equals the share of loss not recognized.

The consolidated statement of income reflects the *MERALCO Group*'s share in the results of operations of the associate or joint venture. Any change in the other comprehensive income ("*OCI*") of those investees is presented as part of the *MERALCO Group*'s *OCI*. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the *MERALCO Group* recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the *MERALCO Group* and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the *MERALCO Group*'s share in the profit or loss of its associates and joint ventures is shown on the face of the consolidated statement of income and represents profit or loss after tax.

The financial statements of the associate or joint venture are prepared for the same reporting period as the *MERALCO Group*. When necessary, adjustments are made to bring the accounting policies in line with those of the *MERALCO Group*.

After application of the equity method, the *MERALCO Group* determines whether it is necessary to recognize an impairment loss on its investment in associate or interest in joint venture. At each reporting date, the *MERALCO Group* determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the *MERALCO Group* calculates the amount of impairment as the difference between the recoverable amount of the investment in associate or interest in joint venture and its carrying value, then recognizes the loss as part of equity in net earnings of an associate or a joint venture in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the *MERALCO Group* measures and recognizes any remaining investment at its fair value. Any difference between the carrying amount of the investment in associate or interest in joint venture upon loss of significant influence or joint control and the fair value of the remaining investment and proceeds from disposal is recognized in the consolidated statement of income.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition-date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the *MERALCO Group* elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs in a business combination are recognized as expense.

When a business is acquired, an assessment is made of the identifiable assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at acquisition date and any resulting gain or loss is recognized in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability will be recognized in accordance with *PFRS 9* in the consolidated statement of income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, any non-controlling interest in the acquiree and, in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree, over the fair value of net identifiable assets acquired. If the difference is negative, such difference is recognized as gain in the consolidated statement of income.

If the initial accounting for a business combination is incomplete by the end of the reporting date in which the business combination occurs, the provisional amounts of the items for which the accounting is incomplete are reported in the consolidated financial statements. During the measurement period, which shall be no longer than one (1) year from the acquisition date, the provisional amounts recognized at acquisition date are retrospectively adjusted to reflect new facts and circumstances obtained that existed as at the acquisition date and, if known, would have affected the measurement of the amounts recognized as at that date. During the measurement period, additional assets or liabilities are also recognized if new information is obtained about facts and circumstances that existed as at the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as at that date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from acquisition date, allocated to each of the cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units, beginning on the acquisition date.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of, is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in such circumstance is measured based on relative values of the operation disposed and the portion of the cash-generating unit retained.

Business combinations involving entities under common control are accounted for similar to the pooling-of-interests method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as additional paid-in capital. The consolidated statement of income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities were under common control.

Investment Properties

Investment properties, except land, are stated at cost, net of accumulated depreciation and accumulated impairment loss, if any. The carrying amount includes transaction costs and costs of replacing part of an existing investment property at the time such costs are incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties include properties that are being constructed or developed for future use.

Land classified as investment property is carried at cost less any impairment in value.

The *MERALCO Group*'s investment properties acquired before January 1, 2004 are stated at deemed cost.

See *Note 16 – Equity* for the related discussions.

Investment properties, except land, are being depreciated on a straight-line basis over the useful life of 40 years.

Investment properties are derecognized either when they have been disposed of or when these are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss from the derecognition of the investment properties is recognized in the consolidated statement of income in the period these are disposed or retired.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation or the commencement of an operating lease to another party. If owner-occupied property becomes an investment property, this is accounted in accordance with the policy stated under utility plant, generation plant and others up to the date of the change in use. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner-occupation or the commencement of development with a view to sale. Transfers from investment property are recorded using the carrying amount of the investment property as at the date of change in use.

Intangible Assets

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment loss. The useful lives of intangible assets are assessed at the individual asset level as having either finite or indefinite useful lives.

Intangible assets with finite lives are amortized over the useful economic lives of five (5) to 30 years using the straight-line method and assessed for impairment whenever there is an indication that the intangible assets may be impaired. At a minimum, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected useful life or the expected consumption pattern of future economic benefit embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as change in accounting estimates. The amortization expense of intangible assets with finite lives is recognized in the consolidated statement of income.

Intangible assets with indefinite useful lives are not amortized, but are assessed for impairment annually either individually or at the cash-generating unit level. The assessment of intangible assets with indefinite useful life is done annually at every reporting date to determine whether such indefinite useful life continues to exist. Otherwise, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statement of income.

Intangible assets generated within the business are not capitalized and expenditures are charged to profit or loss in the period these are incurred.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either (a) in the principal market for the asset or liability, or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the *MERALCO Group*.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The valuation techniques used are those that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

i. Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
ii. Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
iii. Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the *MERALCO Group* determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

For the purpose of fair value disclosures, the classes of assets and liabilities are identified on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Impairment of Nonfinancial Assets

At each reporting date, an assessment is done to determine whether there is an indication that a nonfinancial asset [utility plant, generation plant and others, intangible assets, investment properties, investments in associates and interests in joint ventures and receivable from the Bureau of Internal Revenue ("*BIR*")], may be impaired. If any such indication exists, an estimate of the asset's recoverable amount is made. An asset's recoverable amount is the higher of an individual asset's or a cash-generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The fair value is the amount obtainable from the sale of the asset in an arm's-length transaction. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation factors/parameters, quoted share prices for publicly traded securities or other available fair value indicators. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of income.

An assessment is also made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the individual asset's or cash-generating unit's recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If a reversal of impairment loss is to be recognized, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss has been recognized for the asset in prior period. Such reversal is recognized in the consolidated statement of income. After such reversal, the depreciation and amortization expense are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Intangible assets with indefinite useful lives are tested for impairment annually at every reporting date or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired, either individually or at the cash-generating unit level, as appropriate. The amount of impairment is calculated as the difference between the recoverable amount of the intangible asset and its carrying amount. The impairment loss is recognized in the consolidated statement of income. Impairment losses relating to intangible assets may be reversed in future periods.

Goodwill is reviewed for impairment annually at every reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount of the cash-generating unit or group of cash-generating units to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill shall not be reversed in future periods.

If the allocation of goodwill acquired in a business combination to cash-generating units or group of cash-generating units is incomplete, an impairment testing of goodwill is only carried out when impairment indicators exist. Where impairment indicators exist, impairment testing of goodwill is performed at a level at which the acquirer can reliably test for impairment.

Financial Instruments - Initial Recognition and Subsequent Measurement

Financial Assets

Initial Recognition and Measurement

At initial recognition, financial assets are classified and measured at amortized cost, *FVOCI*, and fair value through profit or loss ("*FVPL*").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the *MERALCO Group* initially measures a financial asset at its fair value, and in the case of a financial asset not at *FVPL*, plus transaction costs.

In order for a financial asset to be classified and measured at amortized cost or *FVOCI*, it needs to give rise to cash flows that are solely payments of principal and interest ("*SPPI*") on the principal amount outstanding. This assessment is referred to as the *SPPI* test and is performed at an instrument level.

The business model for managing financial assets refers to how financial assets are managed in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized at the trade date, i.e., the date that a commitment to purchase or sell the asset is made.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four (4) categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at *FVOCI* with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at *FVOCI* with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at *FVPL*

Financial Assets at Amortized Cost (Debt Instruments)

This category is the most relevant to the *MERALCO Group*. Financial assets are measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are *SPPI* on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate ("*EIR*") method and are subject to impairment. Gains and losses are recognized in the consolidated statement of income when the asset is derecognized, modified or impaired. The *MERALCO Group*'s financial assets at amortized cost include cash and cash equivalents, trade and other receivables, short-term investments, debt securities at amortized cost and advance payments to a supplier.

Financial Assets at FVOCI (Debt Instruments)

Debt instruments are measured at *FVOCI* if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are *SPPI* on the principal amount outstanding.

For debt instruments at *FVOCI*, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in *OCI*. Upon derecognition, the cumulative fair value change recognized in *OCI* is recycled to profit or loss. The *MERALCO Group*'s debt instruments at *FVOCI* include investments in corporate and government bonds.

Financial Assets Designated at FVOCI (Equity Instruments)

Upon initial recognition, equity investments may be classified irrevocably as equity instruments designated at *FVOCI* when they meet the definition of equity under *PAS 32*, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument by instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right to receive payment has been established, except when such proceeds are partial recovery of the cost of the financial asset, in which case, such gains are recorded in *OCI*. Equity instruments designated at *FVOCI* are not subject to impairment assessment.

The *MERALCO Group* elected to classify irrevocably its non-listed equity investments and investments in club shares under this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized (i.e., removed from the consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired;
- The rights to receive cash flows from the asset have been transferred or when an obligation to pay the received cash flows is assumed in full without material delay to a third party under a 'pass-through' arrangement; and either (a) substantially all the risks and rewards of the asset have been transferred, or (b) when all the risks and rewards of the asset are neither transferred nor retained substantially but control of the asset has been transferred.

When the rights to receive cash flows from an asset have been transferred or a pass-through arrangement has been entered, an evaluation of the extent that such risks and rewards of ownership is retained shall be made.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the transferred asset to the extent of *MERALCO Group's* continuing involvement and an associated liability are recognized. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that could be required to repay.

Modification of Financial Assets

A financial asset is derecognized when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in the consolidated statement of income, to the extent that an impairment loss has not already been recorded.

Both qualitative and quantitative factors are considered in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the following factors, among others, are used:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered *SPPI*

A quantitative assessment similar to that being performed for modification of financial liabilities is also done. In performing the quantitative assessment, the new terms of a financial asset are considered to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original *EIR* is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the gross carrying amount of the financial asset is calculated as the present value of the renegotiated or modified contractual cash flows discounted at the original *EIR* (or credit-adjusted *EIR* for purchased or originated credit-impaired financial assets) and a modification gain or loss is recognized in the statement of comprehensive income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a new financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for *ECL* measurement purposes, unless the new financial asset is deemed to be purchased or originated credit-impaired financial assets ("*POCI*").

Impairment of Financial Assets

An allowance for *ECL* is assessed for all debt instruments not held at *FVPL*. *ECL*s are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that are expected to be received, discounted at an approximation of the original *EIR*. The expected cash flows shall include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

*ECL*s are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

*ECL*s are recognized in two (2) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, *ECL*s are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month *ECL*). For those credit exposures for which there has been a significant increase in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime *ECL*).

Financial assets are credit-impaired when one (1) or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime *ECL*s are recognized and interest revenue is calculated by applying the credit-adjusted *EIR* to the amortized cost of the financial assets.

For trade receivables and contract assets, a simplified approach is applied in calculating *ECL*s. Changes in credit risk are not tracked, instead a loss allowance based on lifetime *ECL*s of each customer segment (e.g., residential, commercial, industrial, etc.) is recognized at each reporting date. A provision matrix that is based on its current credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment has been established and used. In determining the *ECL*s of trade receivables, the credit loss experience for each contract status of customers for the current period, adjusted for forward-looking factors as well as the economic environment, was considered.

For debt instruments, the low credit risk simplification is applied. At every reporting date, an assessment is made on whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the internal credit rating of the debt instrument is reassessed. There is significant increase in credit risk when contractual payments are more than 30 days past due.

The *MERALCO Group*'s debt instruments at *FVOCI* comprise solely of quoted bonds that are graded in the top investment category and, therefore, are considered to be low credit risk investments. As a policy, *ECL*s are measured on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the expected lifetime credit losses.

Credit losses are recognized based on a 12-month *ECL* for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term, may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

At each reporting date, an assessment is made for any significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition, using reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the investment grade criteria, are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month *ECL*. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria from the time of origination.

An exposure will migrate through the *ECL* stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime *ECL* to 12-month *ECL*.

A financial asset is considered in default when contractual payments are 300 days past due (average days to terminate customer contract). In certain cases, a financial asset is also considered to be in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at *FVPL*, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The *MERALCO Group*'s financial liabilities include interest-bearing long-term financial liabilities, customers' deposits and refunds, refundable service extension costs, notes payable, and trade payables and other current liabilities.

Subsequent Measurement

Financial liabilities at FVPL

Financial liabilities at *FVPL* include financial liabilities held for trading and financial liabilities designated upon initial recognition as at *FVPL*.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into that are not designated as hedging instruments in hedge relationships as defined by *PFRS 9*. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income. Financial liabilities designated upon initial recognition at *FVPL* are designated at the initial date of recognition, and only if the criteria in *PFRS 9* are satisfied. The *MERALCO Group* has not designated any financial liability as at *FVPL*.

Loans and borrowings

This is the category most relevant to the *MERALCO Group*. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the *EIR* method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the *EIR* amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the *EIR*. The *EIR* amortization is included as finance costs in the consolidated statement of income. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Exchange or Modification of Financial Liabilities

Both qualitative and quantitative factors are used in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original *EIR*, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in the consolidated statement of income.

When the exchange or modification of the existing financial liability is not considered as substantial, the gross carrying amount of the financial liability is recalculated based on the present value of the renegotiated or modified contractual cash flows discounted at the original *EIR* and a modification gain or loss is recognized in the consolidated statement of income.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

The *MERALCO Group* has not availed of any reliefs and has not renegotiated the terms of its existing loan agreements with its lenders.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Derivatives and Hedging Activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The *MERALCO Group* designates certain derivatives as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

The *MERALCO Group* documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The *MERALCO Group* also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in *Note 22 - Trade Payables and Other Current Liabilities* and *Note 27 - Financial Assets and Financial Liabilities*. Movements in the hedging reserve are shown in other comprehensive income that will not be reclassified to profit and loss in the subsequent period.

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

Inventories

Inventories are stated at the lower of cost or net realizable value. Costs of acquiring materials and supplies including costs incurred in bringing each item to their present location and condition are accounted using the moving average and weighted average cost method, as applicable. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost to sell or the current replacement cost of the asset.

Value-Added Tax ("VAT")

Input *VAT* pertains to the 12% indirect tax paid in the course of trade or business on purchases of goods or services.

Output *VAT* pertains to the 12% tax due on the local sale of goods or services.

If at the end of any taxable month, the output *VAT* exceeds the input *VAT*, the outstanding balance is included under "Trade payables and other current liabilities" account. If the input *VAT* exceeds the output *VAT*, the excess shall be carried over to the succeeding months and included under "Other current assets" account.

Provisions

Provisions are recognized when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When a provision, or a portion of such provision is expected to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liabilities.

Retirement Benefits

MERALCO and certain subsidiaries have distinct, funded, noncontributory defined benefit retirement plans covering all permanent employees. *MERALCO*'s retirement plan provides for post-retirement benefits for employees hired as at December 31, 2003. Retirement benefits for employees of *MERALCO* hired beginning January 1, 2004 are for defined payment upon retirement of qualified employees. *MERALCO* also has a contributory provident plan introduced in January 2009 whereby employees hired beginning January 1, 2004 may elect to participate.

The net defined benefit liability or asset of the retirement plan is the aggregate of the present value of the defined benefit obligation at the end of the reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise of (i) service costs; (ii) net interest on the net defined benefit liability or asset; and (iii) remeasurements of the net defined benefit liability or asset.

Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time, which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in *OCI* in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent period.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the *MERALCO Group*, nor can they be paid directly to *MERALCO* or any of its subsidiaries or affiliates. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The *MERALCO Group*'s right to be reimbursed for some or all of the expenditures required to settle a defined benefit obligation is recognized as a separate asset at fair value when, and only when, reimbursement is virtually certain.

The retirement costs under the defined contribution plan are recorded based on contributions to the defined contribution plan as services are rendered by the employee.

Termination Benefits

Termination benefits are provided in exchange for employee's severance as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee Leave Entitlements

Employee entitlements to annual leave are recognized as a liability when such accrues to the employees. The undiscounted liability for leave expected to be settled wholly before 12 months after the end of the reporting period is recognized for services rendered by employees up to the end of the reporting period.

Unused sick leaves are accumulated, up to a certain limit, and commuted to cash upon separation or retirement. An actuarial valuation of the obligations on the accumulated unused sick leaves is conducted periodically in accordance with the relevant accounting standards.

Long-term Incentive Plan

The liability relating to the *BOD*-approved long-term incentive plan comprises the present value of the obligation at the end of the reporting date.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration in exchange for those goods or services. The revenue arrangements are assessed against specific criteria to determine if the seller is acting as a principal or as an agent. The *MERALCO Group* has concluded that it is acting as a principal in majority of its revenue arrangements.

The following specific recognition criteria must also be met before revenue from contracts with customers is recognized:

Sale of Electricity

As *DU*, revenues are recognized upon supply of power to the customers and are stated at amounts invoiced to customers, inclusive of pass-through components, and net of any discounts and/or rebates. The Uniform Filing Requirements ("*UFR*") on the rate unbundling released by the *ERC* on October 30, 2001 specified the following bill components: (a) generation charge, (b) transmission charge, (c) *SL* charge, (d) distribution charge, (e) supply charge, (f) metering charge, (g) Currency Exchange Rate Adjustment ("*CERA*") I and II, where applicable and (h) inter-class rate and lifeline subsidies. *VAT*, business taxes such as *LFT*, *RPT* (beginning March 2021), the Power Act Reduction (for residential customers) adjustment, universal charges, and Feed-in-Tariff - Allowance ("*FiT-All*") are also separately presented in the customer's billing statement.

Taxes billed and collected on behalf of the national government and local government units, universal charges and *FiT-All* [billed and collected on behalf of Power Sector Assets and Liabilities Management Corporation ("*PSALM*") and National Transmission Corporation ("*TransCo*"), respectively] do not form part of the revenues of the distribution utilities. Revenues are adjusted for the over and/or under-recoveries of pass-through charges.

As *RES*, revenues are recognized upon supply of power to the customers, based on the actual energy delivered.

Revenue from Contracts with Customers - Recognized at Point in Time

Revenues from the following are recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods:

Coal Sales

Coal sales are recognized when the coal is delivered and the legal title is passed to the customer. Coal sales are included in sale of electricity in the consolidated statement of income.

Interest Income

Interest income is recognized as interest accrues, using the *EIR* method. The *EIR* is the rate that discounts estimated future cash receipts through the expected life of the financial instrument.

Lease Income

Income arising from lease of investment properties and pole positions is accounted for on a straight-line basis over the lease term.

Lease income is presented as part of sale of other services in the consolidated statement of income.

Revenue from Contracts with Customers - Recognized Over Time

MGen and its subsidiaries ("*MGen Group*") has Electric Power Purchase Agreement ("*EPPA*") with customers, Ancillary Services Procurement Agreement ("*ASPA*") with National Grid Corporation of the Philippines ("*NGCP*"), and electricity trading transactions in *WESM*.

Revenue is recognized when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. At contract inception, it is determined whether control of a promised good or service shall be transferred over time. If the *MGen Group* does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods and services.

Revenue from contracts with customers is consummated whenever the electricity generated is transmitted through the transmission line designated by the buyer, for a consideration.

Revenue from sale of electricity is recognized monthly based on the actual energy delivered and made available to customers or minimum energy off take or contracted capacity, adjusted by actual days of downtime, whichever is higher.

Revenue from sale of electricity through ancillary services to *NGCP* is recognized monthly based on the capacity scheduled and/or dispatched and provided.

Energy fees derived from trading operations are recognized based on actual delivery of such electricity supplied and made available to customers multiplied by the applicable tariff rate as agreed with its customers.

Sale of Services

Revenue from construction contracts of *MIESCOR* and its subsidiaries ("*MIESCOR Group*") and *MServ* is recognized over time on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract (output method). Progress is measured based on the monthly project accomplishment which integrates the performance to date of the construction activities.

Construction contracts are generally accounted for as a single performance obligation and are not segmented among types of services. For engineering and construction contracts, these two (2) are combined into one performance obligation since these are not distinct within the context of the contract. The combined performance obligation qualifies as a good or service (or a bundle of goods or services) that is distinct.

Contract Assets

A contract asset is the right to consideration in exchange for goods and services transferred to the customer. If goods or services are transferred to a customer before the customer settles its obligation, a contract asset is recognized for the earned consideration that is conditional.

The *MERALCO Group*'s contract assets include unbilled receivables and under-recoveries of pass-through charges.

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which a consideration (or an amount of consideration) is due from the customer. If a customer pays the consideration before the good or services are transferred to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the performance under the contract is satisfied.

The *MERALCO Group*'s contract liabilities include assets funded by customers and over-recoveries of pass-through charges.

Assets Funded by Customers

In accordance with the Distribution Services and Open Access Rule ("*DSOAR*"), the costs of non-standard connection facilities to connect the customers to a distribution utility's distribution network and to provide the customers with ongoing access to the supply of electricity are funded by the customers. The distribution utility assesses whether the constructed or acquired non-standard connection facilities meet the definition of an asset in accordance with *PAS 16*. If the definition of an asset is met, such asset is recognized at its acquisition or construction cost with an equivalent credit to the liability account. Such liability to the customers is included under "Other noncurrent liabilities" account in the consolidated statement of financial position, and is recognized as income over the

average duration of relationship with the customer. Assets funded by customers do not form part of the distribution utility's regulatory asset base until amounts are refunded to the customers.

Net Over-recoveries of Pass-through Charges

Transmission over-recoveries which resulted from the difference in the power suppliers' billings and recovery of such pass-through costs from consumers are included in "Other noncurrent liabilities" account in the consolidated statement of financial position.

Cost and Expense Recognition

Expenses are decreases in economic benefits during the financial reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. These are recognized when incurred. Contract costs relating to satisfied performance obligations are recognized as these are incurred. Contract costs principally include all direct materials, labor costs and indirect costs related to contract performance. Project mobilization costs and incremental costs of obtaining a contract with a customer are recognized as an asset if it is expected that such costs will be recovered and the contract term is for more than one (1) year. The project mobilization costs and costs of obtaining a contract are amortized over the expected construction period following the pattern of revenue recognition. Costs incurred prior to obtaining a contract with a customer are not capitalized but are expensed as incurred. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenues. The amount of such loss is determined irrespective of whether or not work has commenced on the contract, based on the stage of completion of the contract activity, or the amount of profits expected to arise on other contracts which are not treated as a single construction contract.

Total contract costs incurred and estimated earnings recognized in excess of total billings are recognized as an asset.

Short-term Leases and Leases of Low-value Assets

Short-term lease recognition exemption is applied to short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Leases

At contract inception, an assessment is made whether such contract contains a lease. A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange of a consideration.

Company as Lessee

At commencement date of the lease, a *ROU* asset and a corresponding lease liability are recognized on the statement of financial position, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the lease payments are booked as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liability is measured at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease (if readily available) or the *MERALCO Group*'s incremental borrowing rate. Incremental borrowing rate is the rate of interest that would have to be paid to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the *ROU* asset in a similar economic environment.

Lease payments included in the measurement of the lease liability consist of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, lease liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in the fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the *ROU* asset, or profit and loss if the *ROU* asset is already reduced to zero.

ROU asset is measured at cost, which consist of the initial measurement of the lease liability, any initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

ROU assets are depreciated on a straight-line basis using the expected useful life or lease term, whichever is shorter. *ROU* assets are also assessed for impairment when such indicators exist.

Company as Lessor

Leases where the risks and benefits of ownership of the asset are not substantially transferred are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

Foreign Currency-Denominated Transactions and Translations

The Philippine peso is primarily the functional and presentation currency of all entities in the *MERALCO Group* except for *LOIL* and *MPG Asia*. It is the currency of the primary economic environment. This is also the currency that mainly influences the revenue from and cost of rendering services. Each entity in the *MERALCO Group* determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of *LOIL* and *MPG Asia* is the United States ("*U.S.*") dollar.

Transactions in foreign currencies are initially recorded in the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated using functional currency closing rate of exchange prevailing at the reporting date. All differences are recognized in the consolidated statement of income except for foreign exchange differences that relate to capitalizable borrowing costs on qualifying assets. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate as at the date of the initial transactions.

As at the reporting date, the monetary assets and liabilities of subsidiaries, *LOIL* and *MPG Asia* whose functional currency is other than Philippine peso, are translated into Philippine peso at the rate of exchange prevailing at the end of the reporting date, and income and expenses are translated monthly using the weighted average exchange rate for the month. The exchange differences arising on translation are recognized as a separate component of *OCI* as cumulative translation adjustments. On the disposal or derecognition of a subsidiary, the amount of cumulative translation adjustments recognized in *OCI* is recognized in the consolidated statement of income.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted as at the reporting date.

Deferred Income Tax

Deferred income tax is provided on all temporary differences at the reporting date between the income tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent these have become probable that future taxable profit will allow the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply when the assets are realized or the liabilities are settled, based on tax rates and tax laws that are enacted or substantively enacted as at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax items are recognized in correlation to the underlying transactions either in profit or loss or directly in equity.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized unless the realization of the assets is virtually certain. These are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Post reporting date events that provide additional information as at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post reporting date events that are non-adjusting events are disclosed in the notes to consolidated financial statements, when material.

5. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the *MERALCO Group*'s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent assets and liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of the assets or liabilities affected in future periods.

Judgments

In the process of applying the accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Uncertain Tax Position

The *MERALCO Group* assesses whether it has any uncertain tax position in accordance with *IFRIC 23*. Significant judgement is applied in identifying uncertainties over the income tax treatments. Based on review and assessment of the income tax computations and filings, in consultation with external tax expert, it is determined that it is not probable that its uncertain tax treatments will be accepted by the taxation authorities. Any effect of each uncertain tax treatment is quantified using the most likely amount which the *MERALCO Group* expects to better predict the resolution of the uncertainty.

Arrangement that Contains a Lease

As assessed, the *PPA*s and *PSA*s do not qualify as leases and are accounted for as ordinary service contracts, since the distribution utilities do not have the right to direct the use, operate and were not involved in the design of the identified assets.

Principal versus Agent

Revenue recognition requires certain judgments on its arrangements with power generation companies such as *PPA*s and *PSA*s to be made. The *MERALCO Group* has concluded that it is acting as a principal in substantially all of its revenue arrangements.

Revenue from sale of electricity requires *MERALCO, Clark Electric* and *Shin Clark Power* to bill customers based on various billing cycle cut-off dates, while recording of related purchased power cost is based on calendar month as provided in the terms of the *PPA*s and *PSA*s. The difference between the amounts initially billed to customers and the settlement of the actual billings with power generation companies is adjusted to revenue at month end.

Revenues from electricity service re-connection and other non-standard connection services arise from a single performance obligation which is satisfied over the period when the services are expected to be provided.

Entity in which the MERALCO Group Holds more than the Majority of the Voting Rights Accounted for as a Joint Venture

MERALCO, through *MGen*, has a 51% interest in San Buenaventura Philippines Ltd. Co. ("*SBPL*") and 60% interest in Chromite Gas Holdings, Inc. (*"Chromite Holdings").* While *MERALCO* has majority of the voting rights in *SBPL* and *Chromite Holdings,* it does not have sole control of the entities. *MERALCO*'s investments in *SBPL* and *Chromite Holdings* are accounted for as a joint venture since key operating and financial decisions of these entities require the unanimous vote and consent of the parties sharing control.

Entity in which the MERALCO Group Holds more than the Majority of the Voting Rights Accounted for as an Associate

MERALCO, through *MGen*, has a total of 58% direct and indirect interest in *PacificLight Power*. *MERALCO's* investment in *PacificLight Power* is accounted for as an associates since its relevant and significant activities and policies require the majority votes of the *BOD* and *MGen* does not hold the majority of the *BOD*.

Entity in which the MERALCO Group Holds 50% *of the Voting Rights Accounted for as an Associate*

MERALCO, through *MGen*, has 50%-less-one-share stake in Alsons Thermal Energy Corporation ("*ATEC*"). *MERALCO*'s investment in *ATEC* is accounted for as an associate since *MERALCO* has no presumptive control over *ATEC* as it does not represent the majority of the total voting interest, and none of the qualitative factors denoting control exists based on *PFRS 10*.

Entity in which the MERALCO Group Holds less than 20% of the Voting Rights Accounted for as an Associate

MERALCO, through *Finserve*, has 10% interest in AF Payments, Inc. ("*AF Payments*"). *AF Payments* is considered an associate and, thus, *MERALCO/Finserve*'s interest in *AF Payments* is accounted for using the equity method. *MERALCO/Finserve* is deemed to have significant influence as evidenced by its representation in the *BOD* which guarantees *MERALCO/Finserve*'s participation in the decision making and policy making process of *AF Payments*.

Acquisitions

The *MERALCO Group* evaluates each investment under *PFRS 3* to determine whether to treat an acquisition as an asset acquisition or a business combination. For those transactions treated as asset acquisitions, the purchase price is allocated to the assets acquired, with no recognition of goodwill. For those acquisitions that meet the definition of a business combination, the acquisition method of accounting is applied where assets acquired and liabilities assumed are recorded at fair value at the date of each acquisition, and the results of operations are included from the dates of the respective acquisitions. When determining the fair value of tangible assets acquired, the age, condition and the economic useful life of the asset are taken into consideration to determine the estimated cost to replace the asset. When determining the fair value of intangible assets acquired, the applicable discount rate and the timing and amount of future cash flows, including rate and terms of renewal and attrition are considered.

Revenue from Contracts with Customers

The power generation units applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Identifying Performance Obligations

The *MGen Group* identifies performance obligations and determines which promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and where the promise to transfer such good or service to the customer is separately identifiable from the other promises in the contract.

An assessment of performance obligations of a series of distinct goods and services, is conducted for those which are substantially the same and have the same pattern of transfer if:

a. each distinct good or services in the series are transferred over time; and
b. the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

For revenue contracts under *EPPA*s, *ASPA*, and spot market sales to *WESM*, these are combined and considered as one (1) performance obligation since these are not distinct within the context of *PFRS 15* as the buyer cannot benefit from the contracted capacity without the corresponding energy and the buyer cannot obtain energy without contracting a capacity.

Determining Method to Estimate Variable Consideration and Assessing the Constraint

Variable considerations are estimated and included but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Both the likelihood and magnitude of the revenue reversal are considered in evaluating the extent of variable consideration or constraint.

Factors such as the following are considered:
a. high susceptibility to factors outside the Group's influence;
b. timing of the resolution of the uncertainty; and
c. having a large number and broad range of possible outcomes.

Some contracts with customers provide for volume and prompt payment discounts that give rise to variable consideration. In estimating the variable consideration, either the expected value method or the most likely amount method is used depending on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while the most likely amount is used when the outcome is binary.

The *MGen* Group determined that the expected value method is the more appropriate method for estimating the variable consideration given the number of contracts with customers that have similar characteristics and the range of possible outcomes.

Allocation of Variable Consideration

Variable consideration may be attributable to the entire contract or to a specific part of the contract. For revenue contracts under *EPPA*s and *ASPA,* as well as spot market sales to *WESM*, revenue streams which are considered as series of distinct services that are substantially the same and have the same pattern of transfer, the variable amount that is no longer subject to constraint is allocated to the satisfied portion (i.e., month or actual electricity delivery) which forms part of the single performance obligation and the monthly billing.

Revenue Recognition

Revenue is recognized when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. At contract inception, an assessment is conducted to determine whether control of a promised good or service is transferred over time. If a performance obligation is not satisfied over time, then such is considered satisfied at a point in time.

The *MGen* Group concluded that revenue from sale of electricity from contracts with customers are to be recognized over time, since customers simultaneously receive and consume the benefits as the *MGen* Group supplies power.

Contingencies

There are possible claims from or obligation to other parties from past events and whose existence may only be confirmed by the occurrence or non-occurrence of one (1) or more uncertain future events not wholly within its control. Management has determined that the present obligations with respect to contingent liabilities and claims with respect to contingent assets do not meet the recognition criteria, and therefore has not recorded any such amounts.

See *Note 3 - Statement of Compliance and Basis of Consolidation, Note - 22 Trade Payables and Other Current Liabilities and Note 29 - Contingencies and Legal Proceedings*.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty as at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial reporting period are discussed as follows:

Estimating Useful Lives of Utility Plant, Generation Plant and Others, Intangible Assets with Finite Lives, and Investment Properties

The useful lives of utility plant, generation plant and others, intangible assets with finite lives, and investment properties are estimated based on the periods over which such assets are expected to be available for use. The estimate of the useful lives of the utility plant, generation plant and others, intangible assets with finite lives, and investment properties is based on management's collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives are reviewed at least at each financial reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of such assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned in the foregoing. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of utility plant, generation plant and others, intangible assets with finite lives, and investment properties would increase recorded operating expenses and decrease noncurrent assets.

The total depreciation and amortization expense of utility plant, generation plant and others amounted to ₱3,999 million and ₱3,608 million for the three months ended March 31, 2026 and 2025, respectively. Total carrying values of utility plant, generation plant and others, net of accumulated depreciation and amortization, amounted to ₱393,565 million and ₱378,232 million as at March 31, 2026 and December 31, 2025, respectively.

Total depreciation of investment properties amounted to ₱1 million for each of the three months ended March 31, 2026 and 2025. Total carrying values of investment properties, net of accumulated depreciation, amounted to ₱1,482 million and ₱1,483 million as at March 31, 2026 and December 31, 2025, respectively.

Total amortization of intangible assets with finite lives amounted to ₱362 million and ₱366 million for the three months ended March 31, 2026 and 2025, respectively. Total carrying values of intangible assets with finite lives, net of accumulated amortization, amounted to ₱40,480 million and ₱40,658 million as at March 31, 2026 and December 31, 2025, respectively.

See *Note 7 – Utility Plant, Generation Plant and Others, Note 9 – Investment Properties* and *Note 10 – Intangible Assets*.

Impairment of Nonfinancial Assets

PFRS Accounting Standards require that an impairment review be performed when certain impairment indicators are present. These conditions include obsolescence, physical damage, significant changes in the manner by which an asset is used, worse than expected economic performance, drop in revenues or other external indicators, among others. In the case of goodwill, at a minimum, such asset is subject to an annual impairment test and more frequently whenever there is an indication that such asset may be impaired. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires preparation of an estimate of the expected future cash flows from the cash-generating unit and choosing an appropriate discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amount of utility plant, generation plant and others, intangible assets, investment properties, investments in associates and interests in joint ventures, goodwill and other noncurrent assets, requires (i) the determination of future cash flows expected to be generated from the continued use as well as ultimate disposition of such assets and (ii) making estimates and assumptions that can materially affect the consolidated financial statements. Future events may cause management to conclude that utility plant, generation plant and others, intangible assets, investment properties, investments in associates and interests in joint ventures, goodwill and other noncurrent assets are impaired. Any resulting impairment loss could have material adverse impact on the consolidated financial position and financial performance.

The preparation of estimated future cash flows involves significant estimations and assumptions. While management believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges under *PFRS* Accounting Standards.

The carrying values of nonfinancial assets subject to impairment review are as follows:

Account	**March 31, 2026 (Unaudited)**	December 31, 2025 (Audited)
	(Amounts in millions)	
Utility plant, generation plant and others	**₱393,565**	₱378,232
Investments in associates and interests in joint ventures	**128,706**	140,440
Intangible assets	**40,480**	40,658
Investment properties	**1,482**	1,483

See *Note 7 – Utility Plant, Generation Plant and Others, Note 8 – Investments in Associates and Interests in Joint Ventures, Note 9 – Investment Properties, Note 10 – Intangible Assets and Note 11 – Other Noncurrent Assets.*

Realizability of Deferred Income Tax Assets

The carrying amounts of deferred income tax assets are reviewed at the end of each reporting period and these may be reduced to the extent that such deferred tax assets are no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized.

Assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income for the subsequent reporting period. This forecast is based on past results and future expectations on revenues and expenses as well as future tax planning strategies. Management believes that sufficient taxable profit will be generated to allow all or part of the recorded or recognized deferred tax assets to be utilized. The amounts of the deferred income tax assets considered realizable could be adjusted in the future if estimates of taxable income are revised. As of March 31, 2026 and December 31, 2025, the temporary differences without deferred tax amounted to ₱5,939 million and ₱6,769 million, respectively.

See *Note 28 – Income Taxes and Local Franchise Taxes*.

Provision for ECL of Receivables and Contract Assets

The *MERALCO Group* applies the *PFRS 9* simplified approach to measure *ECL* which uses a lifetime expected loss allowance for all trade and other receivables and contract assets.

ECL is provided for certain identified trade receivables which have been the subject of disputes from customers. In determining the *ECL*s of trade receivables, the credit loss experience for each contract status of customers for the current period, adjusted for forwarding looking factors, and taking into account the economic environment is considered. The contract assets relate to unbilled receivables and have substantially the same risk characteristics as the trade and other receivables. The *MERALCO Group* has concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

Forward-looking information is incorporated in the assessments for any significant increase in credit risk since the initial recognition and measurement of *ECL*. A range of relevant forward-looking macroeconomic assumptions such as inflation rate, gross domestic product and unemployment rate for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of *ECL*s are considered.

*ECL*s for trade and other receivables, net of recoveries, amounted to ₱1 million (benefit) and ₱28 million (expense) for the three months ended March 31, 2026 and 2025, respectively. Trade and other receivables, net of allowance for *ECL*, amounted to ₱69,299 million and ₱76,726 million as at March 31, 2026 and December 31, 2025, respectively.

See *Note 13 – Trade and Other Receivables.*

Estimating Net Realizable Value of Inventories

Inventories consist of materials and supplies used in the electricity distribution, power generation and services segments, and are valued at the lower of cost or net realizable value. The cost of inventories is written down whenever the net realizable value of inventories becomes lower than the cost due to damage, physical deterioration, obsolescence, and change in price levels or other causes (i.e., pre-termination of contracts). The lower of cost or net realizable value of inventories is reviewed on a periodic basis. Inventory items identified to be obsolete and no longer usable are written off and charged as expense in the consolidated statement of income.

The carrying values of inventories amounted to ₱10,828 million and ₱10,983 million as at March 31, 2026 and December 31, 2025, respectively.

See *Note 14 – Inventories*.

Estimation of Retirement Benefit Costs

The cost of defined benefit retirement plans and other post-employment benefits as well as the present value of the retirement obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement benefits increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Retirement and other post-employment benefits expense amounted to ₱456 million and ₱493 million for the three months ended March 31, 2026 and 2025, respectively. Retirement and other post-employment benefit liabilities as at March 31, 2026 and December 31, 2025 amounted to ₱14,026 million and ₱13,559 million, respectively.

In determining the appropriate discount rate, management considers the interest rates of government bonds in the respective currencies, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases and retirement benefits increases are based on expected future inflation rates for the Philippines.

See *Note 25 – Expenses and Income* and *Note 26 – Long-term Employee Benefits*.

Provisions

Note 2 – Rate Regulations and *Note 29 – Contingencies and Legal Proceedings* discuss various claims, assessments and cases of the *MERALCO Group*. An estimate for probable costs for the resolution of these claims, assessments and cases has been developed in consultation with external counsel and/or internal counsels handling the defense for these claims, assessments and cases and is based upon thorough analysis of potential outcome.

In consultation with its external and internal legal counsels, management does not believe that these claims and legal proceedings will have a material adverse effect on the consolidated financial statements. It is possible, however, that future financial performance could be materially affected by changes in the estimates or the effectiveness of management's strategies and actions relating to these proceedings.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. As at March 31, 2026 and December 31, 2025, provisions and other noncurrent liabilities are presented net of the effect of the time value of money of ₱6,396 million and ₱7,476 million, respectively.

See *Note 19 – Provisions* and *Note 22 – Trade Payables and Other Current Liabilities.*

Revenue Recognition

The overall revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables.

Revenues from sale of electricity by *MERALCO, Clark Electric* and *Shin Clark Power* are billed based on customer-specific billing cycle cut-off date for each customer, while billing of related purchased power cost is based on calendar month as provided in the terms of the *PPA*s and *PSA*s. The recognition of unbilled revenues for billing cycles with earlier than month-end cut-off dates requires the use of estimates. The difference between the amounts initially recognized based on provisional invoices and the settlement of the actual billings by power generation companies is taken up in the subsequent period. Also, revenues from sale of electricity are adjusted for the estimated over and/or under-recoveries of pass-through charges, which are subject of various applications for recovery and approval by the *ERC*.

Revenues from sale of electricity also account for variable considerations included in the transaction price resulting from historical refunds to customers. The refund liability related to these variable considerations is included as part of "Trade payables and other liabilities" and "Other noncurrent liabities" accounts in the consolidated statement of financial position. As at March 31, 2026 and December 31, 2025, the balance of refund liability (gross of present value adjustments) amounted to ₱22,940 million and ₱22,839 million, respectively.

Management believes that such use of estimates will not result in material adjustments in future periods.

Revenues and costs from construction contracts of *MIESCOR* and *MServ* are recognized based on the output method. This is measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Identifying Methods for Measuring Progress of Revenue Recognized Over Time

The method of measuring progress is either through input or output method. Input method recognizes revenue on the basis of the efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

The *MGen* Group determined that the output method is the more appropriate way of measuring progress as actual electricity is supplied to customers.

6. Segment Information

Each operating segment of the *MERALCO Group* engages in business activities from which revenues are earned and expenses are incurred (including intercompany transactions with other business segments within the *MERALCO Group*). The operating results of each of the operating segments are regularly reviewed by *MERALCO*'s Management Committee to evaluate how resources shall be allocated and to assess their performances based on available financial information.

For management purposes, operating businesses are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and/or services, as follows:

- Power

  The Power segment consists of (a) electricity distribution, (b) power generation and (c) *RES*.

  Electricity distribution – This is principally electricity distribution and supply of power on a pass-through basis covering all captive customers of *MERALCO, Clark Electric* and *Shin Clark Power*. Electricity distribution within the *MERALCO* franchise area accounts for approximately 50% of the power requirements of the country. *Clark Electric*'s franchise area covers Clark Special Economic Zone and the sub-zones and *Shin Clark Power*'s franchise area covers the *NCC*.

  Shin Clark Holdings through a Joint Venture Agreement ("*JVA*") with *BCDA*, manages the development, operation, and maintenance of the electric power distribution system in the 9,450-hectare *NCC* located within the Clark Special Economic Zone in the towns of Capas and Bamban, Tarlac. The franchise to operate the electric distribution system in *NCC* was granted by Congress under Republic Act No. 11420 to *BCDA,* which assigned the same to *Shin Clark Power*, in exchange for 10% equity interest in *Shin Clark Power*. *Shin Clark Power,* incorporated and registered with the *SEC,* has a *CPCN* issued by the *ERC* to operate as a *DU* for a period of 25 years.

  MERALCO manages the electric distribution facilities of *PELCO II* through *Comstech* under an *IMC*. *MERALCO* also manages the electric distribution facilities in the *CEZ* under a 25-year concession agreement with *PEZA*.

  Power generation – The *MERALCO Group* has a combined group generating capacity of 5,069.7 *MW* (net) of coal, liquid natural gas, renewable and diesel plants in the Philippines and Singapore. In addition, it is developing a total of 3,950 *MWp* of solar capacities.

  This portfolio includes the 455 *MW* (net) supercritical coal-fired plant in Mauban, Quezon operated by *SBPL*, of which *MGen* has a 51% interest.

  GBPC owns 831 *MW* (net) of operating coal and diesel-fired power plants in the Visayas and Mindanao. This includes the 2 x 108.5 *MW* (net) *CFB* plant in Maasim, Sarangani of Sarangani Energy Corporation ("*Sarangani Energy"*). *GBPC* has a 50% less one share interest in *ATEC*, which holds a 100% interest in *Sarangani Energy*.

  MGreen, wholly owned subsidiary of *MGen*, is engaged in the development, construction and operation of solar power facilities. *MGreen* holds a 60% equity interest in *First Bulacan*, which owns and operates a 55 *MWac* utility scale solar facility in San Miguel, Bulacan, under an *ERC*-approved *PSA* with *MERALCO* for a period of 20 years up to April 2041.

In 2025, *MGreen* inaugurated the 52.7 *MWac* solar power plant of *Greenergy* and the 19.8 *MWac* solar power plant of *GSEI*.

SPNEC, through its subsidiaries *MTerra Solar* (60%) and *TNI* (100%), are developing a 3.5-*GWp* solar power plant facility with a 4,500-*MWh* battery energy storage system. The project with the first phase involving 2,500 *MWdc* is expected to begin commercial operations in 2026 while the balance is due to be completed in 2027. *SPNEC* is 69.25% owned by *MGreen*.

MGen also secured confirmation from the Department of Energy's ("*DOE*") that the 1,200-*MW* ultra supercritical coal-fired power project of *A1E* remains a Committed Project and is outside the coverage of the coal moratorium policy.

PHRI, in partnership with Mitsui & Co.'s local unit Mit-Renewables Philippine Corporation, owns and operates a total of 80.1 *MWac* solar plant in Baras, Rizal ("*Baras Solar Plant*"). Separately, Nuevo Solar Energy Corporation ("*NSEC*"), a joint venture between *MGreen* and Vena Energy Solar PH B.V. ("*Vena Energy*"), owns and operates a 68.7 *MWac* solar plant in Ilocos Norte.

MGreen also entered into an investment agreement with *Vena Energy*, for the development, construction and operation of the 450 *MWac* solar plant in Bugallon, Pangasinan through 3 Barracuda Energy Corporation ("*Barracuda Energy*"). On March 18, 2026, *NGCP* issued a Provisional Certificate of Approval to Connect ("*PCATC*") for *Barracuda Energy*'s 450 *MWac* solar power plant.

In addition, *MGen* and Therma NatGas, Inc. ("*TNGP*") entered into an Investment Agreement with the parties owning 60% and 40% interests in *Chromite Holdings,* respectively.

Outside the Philippines, *MGen* holds a combined 58% (direct and indirect) interests in *PacificLight Power,* which owns and operates a 2 x 400 *MW LNG*-fueled combined cycle turbine power plant on Jurong Island, Singapore. In May 2025, *PacificLight Power* completed and commissioned a 100 *MW* fast-start *LNG* facility to provide ancillary services under a 25-year contract with Singapore's Energy Market Authority ("*EMA*"). In January 2025, *PacificLight Power* was awarded the right to develop a hydrogen-ready Combined Cycle Gas Turbine ("*CCGT*") facility with a capacity of at least 600 *MW*, scheduled to commence commercial operations in January 2029.

See *Note 8 – Investments in Associates and Interests in Joint Ventures*.

RES – This business segment sources and supplies electricity to qualified contestable customers. As distribution utilities, *MERALCO* and *Clark Electric* are also licensed to operate as local retail electricity suppliers within their respective franchise area through their separate business units, *MPower* and *Cogent Energy*. Under Retail Competition and Open Access ("*RCOA*") framework, qualified contestable customers may procure electricity from any licensed retail electricity supplier, including *MPower* and *Cogent Energy*.

Affiliate *RES* entities include *Vantage* and *Phoenix Power*, wholly owned subsidiaries of *MERALCO*; *MeridianX*, a wholly owned subsidiary of *Comstech*; and *MGen RES,* a wholly owned subsidiary of *GBPC* are affiliate *RES*s. *Clarion*, a wholly owned subsidiary of *Clark Electric*, was issued its *RES* license by the *ERC* on December 12, 2025, following the re-filing of its application and submission of updated requirements.

- Other Services

  The "Other Services" segment is involved principally in services associated with electricity distribution, such as, electro-mechanical engineering, construction, consulting and related manpower services, e-transaction and bills collection, telecommunications services, insurance and re-insurance, e-business development, power distribution management, energy systems management and harnessing renewable energy and electric vehicle and charging infrastructure solutions. These services are provided by *MIESCOR*, *MBI*, *MLI* and *CFSI* (collectively known as "*MIESCOR Group*"), *CIS* and *Bayad* (collectively referred to as "*CIS Group*"), *e-MVI*, *Paragon* and *Radius* (collectively referred to as "*e-MVI Group*")*, Comstech, LOIL, Finserve*, *MServ*, *Spectrum* and *Movem*.

The Management Committee evaluates the performance of the business segments based on (i) net income attributable to equity holders of the parent company, (ii) consolidated net earnings before interest, taxes, and depreciation and amortization ("consolidated *EBITDA*"); and (iii) consolidated core net income ("*CCNI*"). Net income is measured consistent with reported net income in the consolidated statement of income.

Consolidated *EBITDA* is measured as *CCNI* excluding depreciation and amortization, interest and other financial charges, interest and other financial income and provision for income tax.

CCNI for the period is measured as consolidated net income attributable to equity holders of the parent company adjusted for foreign exchange gain or loss, mark-to-market gain or loss, impairment or reversal of impairment of noncurrent assets and certain other non-recurring gain or loss, if any, net of tax effect of the foregoing adjustments.

Billings between operating segments are at an arm's-length basis in a manner similar to transactions with third parties. Segment revenues, segment expenses and segment results include transfers among business segments. Those transfers are eliminated upon consolidation.

The *MERALCO Group* operates and generates substantially all of its revenues in the Philippines (i.e., one (1) geographical location). Thus, geographical segment information is not presented. The *MERALCO Group* has no revenues from transactions with a single external customer amounting to 10% or more of its revenues from external customers.

		Power		Other Services		Inter-segment Transactions		Total	
		For the Three Months Ended March 31							
	Note	**2026**	2025	**2026**	2025	**2026**	2025	**2026**	2025
					(*Amounts in Millions*)				
Revenues		**₱118,097**	₱111,753	**₱4,978**	₱4,444	**(₱2,296)**	(₱1,686)	**₱120,779**	₱114,511
Segment results		**₱13,229**	₱13,893	**₱777**	₱559	**₱–**	₱–	**₱14,006**	₱14,452
Depreciation and amortization	*7, 8 and 10*	**(4,170)**	(3,732)	**(192)**	(243)	**–**	–	**(4,362)**	(3,975)
Provision (reversal of provision) for probable losses and expenses from claims	*2, 19 and 29*	**(243)**	259	**31**	(10)			**(212)**	249
Interest and other financial income	*24*	**737**	826	**68**	54	**–**	–	**805**	880
Equity in net earnings of associates and joint ventures	*8*	**4,891**	3,317	**–**	–	**–**	–	**4,891**	3,317
Interest and other financial charges	*24*	**(2,068)**	(2,032)	**(17)**	(24)	**–**	–	**(2,085)**	(2,056)
Provision for income tax - net	*27*	**(1,770)**	(1,841)	**(108)**	(79)	**–**	–	**(1,878)**	(1,920)
Net income attributable to non-controlling interests		**–**	–	**–**	–	**(332)**	(499)	**(332)**	(499)
Net income attributable to equity holders of the Parent		**₱10,606**	₱10,690	**₱559**	₱257	**(₱332)**	(₱499)	**₱10,833**	₱10,448
CCNI		**₱10,879**	₱10,910	**₱547**	₱262	**₱–**	₱–	**₱11,426**	₱11,172

The inter-segment revenues mainly represent revenues of other services segment earned from the power segment.

The following table shows the reconciliation of *EBITDA*, net income and *CCNI*:

	Unaudited	
	For the Three Months Ended March 31	
	2026	2025
	(Amounts in millions)	
EBITDA	**₱18,735**	₱17,920
Add (deduct):		
Depreciation and amortization	**(4,362)**	(3,975)
Interest and other financial charges net of income and foreign exchange adjustments	**(1,330)**	(1,078)
Income before income tax	**13,043**	12,867
Provision for income tax - net	**(1,878)**	(1,920)
Net income	**11,165**	10,947
Net income for the period attributable to non-controlling interests	**(332)**	(499)
Net income for the period attributable to equity holders of the parent company	**10,833**	10,448
Add (deduct) non-core items, net of tax:		
Non-core losses - net	**891**	805
Foreign exchange gains	**(298)**	(81)
CCNI	**₱11,426**	₱11,172

7. Utility Plant, Generation Plant and Others

The movements in utility plant, generation plant and others are as follows:

		March 31, 2026 (Unaudited)									
	Note	**Land**	**Power Plant Machinery and Equipment**	**Sub-transmission and Distribution**	**Communication Towers, Buildings and Improvements**	**Data Transmission Cables and Communi-cation Equipment**	**Office Furniture, Fixtures and Other Equipment**	**Transportation Equipment**	**Others**	**Construction in Progress**	**Total**
						(Amounts in millions)					
Cost:											
Balance at beginning of period		**₱38,654**	**₱53,755**	**₱271,430**	**₱14,687**	**₱7,836**	**₱6,899**	**₱5,995**	**₱15,282**	**₱121,777**	**₱536,315**
Additions		**4**	**14**	**691**	**1**	**–**	**30**	**79**	**182**	**18,423**	**19,424**
Transfers from construction in progress		**–**	**37**	**3,374**	**51**	**(1)**	**55**	**–**	**74**	**(3,590)**	**–**
Disposals/retirements		**–**	**–**	**(565)**	**–**	**–**	**–**	**(2)**	**(1)**	**(4)**	**(572)**
Reclassifications and others	*10*	**–**	**9**	**–**	**3**	**(1)**	**–**	**–**	**(59)**	**219**	**171**
Balance at end of period		**38,658**	**53,815**	**274,930**	**14,742**	**7,834**	**6,984**	**6,072**	**15,478**	**136,825**	**555,338**
Less accumulated depreciation and amortization:											
Balance at beginning of period		**–**	**14,330**	**111,215**	**5,215**	**4,732**	**4,998**	**3,850**	**5,952**	**–**	**150,292**
Depreciation and amortization		**–**	**781**	**2,513**	**124**	**129**	**158**	**117**	**177**	**–**	**3,999**
Disposals/retirements		**–**	**–**	**(510)**	**–**	**–**	**–**	**(2)**	**(1)**	**–**	**(513)**
Reclassifications and others		**–**	**(12)**	**–**	**–**	**(3)**	**–**	**(10)**	**215**	**–**	**190**
Balance at end of period		**–**	**15,099**	**113,218**	**5,339**	**4,858**	**5,156**	**3,955**	**6,343**	**–**	**153,968**
Less allowance for impairment losses											
Balance at beginning of period		**–**	**292**	**–**	**–**	**1,220**	**–**	**–**	**–**	**6,279**	**7,791**
Reclassification and others		**–**	**–**	**–**	**–**	**(28)**	**–**	**–**	**–**	**42**	**14**
Balance at end of period		**–**	**292**	**–**	**–**	**1,192**	**–**	**–**	**–**	**6,321**	**7,805**
Net book value		**₱38,658**	**₱38,424**	**₱161,712**	**₱9,403**	**₱1,784**	**₱1,828**	**₱2,117**	**₱9,135**	**₱130,504**	**₱393,565**

		December 31, 2025 (Audited)									
	Note	Land	Power Plant Machinery and Equipment	Sub-transmission and Distribution	Communication Towers, Buildings and Improvements	Data Transmission Cables and Communi-cation Equipment	Office Furniture, Fixtures and Other Equipment	Transportation Equipment	Others	Construction in Progress	Total
						(Amounts in millions)					
Cost:											
Balance at beginning of period		₱31,601	₱49,979	₱254,667	₱13,445	₱7,666	₱6,137	₱5,476	₱13,526	₱49,999	₱432,496
Additions		7,058	2,458	699	94	38	724	646	927	94,006	106,650
Transfers from construction in progress		–	1,080	18,985	1,275	389	36	–	312	(22,077)	–
Disposals/retirements		(10)	(1,331)	(3,051)	(137)	(1)	(9)	(128)	(297)	–	(4,964)
Reclassifications and others	*10*	5	1,569	130	10	(256)	11	1	814	(151)	2,133
Balance at end of period		38,654	53,755	271,430	14,687	7,836	6,899	5,995	15,282	121,777	536,315
Less accumulated depreciation and amortization:											
Balance at beginning of period		–	8,860	104,650	5,124	3,891	4,424	3,523	6,932	–	137,404
Depreciation and amortization		–	3,060	9,588	504	692	589	430	703	–	15,566
Disposals/retirements		–	(1,331)	(3,050)	(134)	–	(7)	(103)	(233)	–	(4,858)
Reclassifications and others		–	3,741	27	(279)	149	(8)	–	(1,450)	–	2,180
Balance at end of period		–	14,330	111,215	5,215	4,732	4,998	3,850	5,952	–	150,292
Less allowance for impairment losses											
Balance at beginning of period		–	292	–	–	–	–	–	–	6,299	6,591
Charge for the period		–	–	–	–	1,220	–	–	–	(20)	1,200
Balance at end of period		–	292	–	–	1,220	–	–	–	6,279	7,791
Net book value		₱38,654	₱39,133	₱160,215	₱9,472	₱1,884	₱1,901	₱2,145	₱9,330	₱115,498	₱378,232

As at March 31, 2026 and December 31, 2025, the net book values of customer-funded assets included in "Utility plant, generation plant and others" account amounted to ₱6,698 million and ₱6,643 million, respectively. The corresponding liabilities to customers in the same amounts as at March 31, 2026 and December 31, 2025 are included in "Other noncurrent liabilities" account in the consolidated statements of financial position.

The power plant complex of *PHRI*, generation plant and equipment of *First Bulacan*, *Greenergy*, *Solar Philippines Calatagan, Solar Philippines Tarlac*, *TNI* and *GSEI* and the solar power plant undergoing development of *MTerra Solar*, with aggregate carrying value of ₱116,502 million as at March 31, 2026, are pledged as securities for the project finance debt.

See *Note 17 – Interest-bearing Long-term Financial Liabilities.*

As at March 31, 2026 and December 31, 2025, the capitalized site preparation expenses for the development of a power generation plant of *A1E* amounted to ₱12,751 million and ₱12,740 million, respectively. Allowance for impairment loss amounted to ₱6,571 million as at March 31, 2026 and December 31, 2025.

In 2025, *Radius* recognized an impairment loss amounting to ₱1,220.0 million related to network assets deployed to support its RED Fiber consumer business due to their under-utilization. The recoverable amount was determined based on value in use, using cash flow projections approved by management and a market-based interest rate.

Construction in progress pertains to both electric capital projects ("*ECP*s") and non-*ECP*s. *ECP*s are capital projects involving construction of new electric distribution-related facilities and the upgrade and major rehabilitation of existing electrical facilities. Non-*ECP*s mainly represent construction of *MGen*'s power plant projects, *MERALCO*'s buildings and improvements, and *Radius*' network expansion projects. Total interest capitalized amounted to ₱1,565 million and ₱319 million based on average capitalization rate of 6% for the three months ended March 31, 2026 and 2025.

8. Investments in Associates and Interests in Joint Ventures

This account consists of the following:

	Place of Incorporation	Principal Activity	**March 31, 2026 (Unaudited)**	December 31, 2025 (Audited)
			Percentage of Ownership	
Associates				
FPM Power Holdings Limited ("*FPM Power*")/*PacificLight Power*	British Virgin Islands/ Singapore	Investment and holding company/ Power generation	**58**	58
ATEC	Philippines	Power generation	**50**	50
Barracuda Energy	Philippines	Renewable energy	**50**	50
Redondo Peninsula Energy Inc. ("*RP Energy*")	Philippines	Power generation	**47**	47
Pacific Medco Solar Energy Pte Ltd. ("*Pacific Medco*")	Singapore	Renewable energy	**21.46**	21.46
Aclara Meters Philippines, Inc. ("*Aclara Meters*")	Philippines	Sale of metering products and services	**35**	35
Power Distribution Services Ghana Limited ("*PDS Ghana*")	Ghana	Distribution of power	**30**	30
Kayana	Philippines	Electronic payment and reward system	**27.50**	27.50
Terra Renewables Holdings, Inc.	Philippines	Holding company	**34.6**	34.6
Pylon	Philippines	Holding company	**25.56**	25.56

	Place of Incorporation	Principal Activity	**March 31, 2026 (Unaudited)**	December 31, 2025 (Audited)
			Percentage of Ownership	
Indra Philippines, Inc. ("*Indra Philippines*")	Philippines	Management and *IT* consultancy	**24.95**	24.95
AF Payments	Philippines	Electronic payment clearing and settlement system operator	**10**	10
Joint Ventures				
Chromite Holdings	Philippines	Holding company	**60**	60
SBPL	Philippines	Power generation	**51**	51
Kalilayan Power, Inc.	Philippines	Holding company	**51**	51
MRail-DESCO Joint Venture ("*MDJV*")	Philippines	Maintenance of mass transit system	**51**	51
Pure Meridian Hydropower Corporation ("*Pure Meridian*")	Philippines	Renewable energy	**50**	50
NSEC	Philippines	Power generation	**50**	50
First Balfour-MRail Joint Venture ("*FBMJV*")	Philippines	Maintenance of mass transit system	**49**	49
MPioneer Insurance Inc. ("*MPioneer*")	Philippines	Insurance	**35**	35
Rockwell Business Center Joint Venture ("*RBC JV*")	Philippines	Real estate	**30**	30

The movements in investments in associates and interests in joint ventures are as follows:

	Note	**March 31, 2026 (Unaudited)**	December 31, 2025 (Audited)
		(Amounts in millions)	
Acquisition cost:			
Balance at beginning of period		**₱127,468**	₱42,378
Additions		**4,196**	86,946
Return of investment		**(18,090)**	–
Hedge accounting adjustment in cost	*27*	**–**	(1,717)
Reclassification		**–**	(139)
Balance at end of period		**113,574**	127,468
Accumulated equity in net earnings:			
Balance at beginning of period		**11,519**	3,968
Equity in net earnings for the period		**4,891**	16,731
Dividends received		**(2,734)**	(9,181)
Reclassification		**1**	1
Balance at end of period		**13,677**	11,519
Share in remeasurement adjustments on retirement liabilities		**(28)**	(28)
Share in cumulative translation adjustments:			
Balance at beginning of period		**2,605**	1,866
Cumulative translation adjustments for the period		**–**	739
Balance at end of period		**2,605**	2,605
Share in other comprehensive income:			
Balance at beginning of period		**(744)**	(291)
Share in other comprehensive income for the period		**2**	(453)
Balance at end of period		**(742)**	(744)
Allowance for impairment loss		**(380)**	(380)
		₱128,706	₱140,440

The carrying values of investments in associates and interests in joint ventures follow:

	Note	**March 31, 2026 (Unaudited)**	December 31, 2025 (Audited)
		(Amounts in millions)	
Associates:			
FPM Power/PacificLight Power		**₱24,324**	₱20,898
ATEC		**10,135**	9,831
Pylon	*3*	**6,123**	6,181
Barracuda Energy	*6*	**3,605**	3,170
Kayana		**724**	638
Indra Philippines		**416**	397
Pacific Medco		**221**	221
Aclara Meters		**132**	117
RP Energy		**119**	119
Others		**47**	52
Joint ventures:			
Chromite Holdings		**71,620**	87,196
SBPL		**9,281**	9,693
RBC JV		**749**	726
NSEC		**576**	578
MPioneer		**576**	565
MDJV		**58**	58
		₱128,706	₱140,440

FPM Power/PacificLight Power

FPM Power is 40%-owned by *MERALCO* through *MPG Asia* (a wholly-owned subsidiary of *MGen)* and 60%-owned by First Pacific Company Limited ("*First Pacific*"). *FPM Power* has a 70% equity interest in *PacificLight Power*, which owns and operates a 2 x 400 *MW LNG*-fired power plant and a newly commissioned 100 *MW* fast-start *LNG* facility in Jurong Island, Singapore. *PacificLight Power*'s wholly owned subsidiary, PacificLight Energy Pte. Ltd., is engaged in energy trading.

ATEC

ATEC has the following equity interests: (i) 100% of *Sarangani Energy* which operates a 2 x 118.5 *MW* (gross capacity) baseload coal-fired plant in Maasim, Sarangani Province; (ii) 100% of San Ramon Power, Inc. which is developing a 120 *MW* baseload coal-fired plant in Zamboanga City; and (iii) 100% of ACES Technical Services Corporation, which provides operations and maintenance services to *ATEC's* power plants.

Pylon

On July 11, 2024, the *PCC* approved the joint venture among *MIESCOR*, *Connect* and *PHPL.* The shareholders of *TowerCos* executed a Multi-party Share Swap Agreement with both shareholders of *MIDC* and *PhilTower* transferring their respective ownerships in *TowerCos* to *Pylon*. After the swap, *MIESCOR* owns 25.56% of *Pylon* (from 51% in *MIDC*) with *Pylon* owning 100% each of *MIDC* and *PhilTower*. The transaction is aimed at improving coverage for the *TowerCos*' mobile network clients and driving investment in digital infrastructure in the Philippines. The *SEC* approved the share

swap transaction on August 20, 2024 and the completion of other closing conditions and issuance of shares were finalized on September 13, 2024.

Kayana

Kayana is an electronic payment and reward system company that aims to create a platform that integrates services into one primary channel. *Kayana* is owned by *PLDT, MERALCO* and *Metro Pacific* with equity interests of 45%, 27.5% and 27.5%, respectively.

Indra Philippines

Indra Philippines is an *IT* service provider in the country and in the Asia Pacific region, with a wide range of services across various industries. *Indra Philippines* provides services which meet certain of *MERALCO*'s *IT* requirements in the area of system development, outsourcing of Information Systems ("*IS*") and *IT* operations and management consulting.

Pacific Medco

PLP Renewables is 58%-owned by *MERALCO* through *MGreen International* (a wholly-owned subsidiary of *MGreen). PLP Renewables* has a 37% equity interest in *Pacific Medco*, a Singapore-based entity, in the process of developing a large-scale solar *PV* plant in Bulan Island, Indonesia, the energy of which shall be transmitted via subsea cable to Singapore. This project aims to increase the share of renewal energy in Singapore.

Aclara Meters

Aclara Meters is 35% owned by *MERALCO* and 65%, by Aclara Technology LLC. *Aclara Meters* is primarily engaged in the manufacture and assembly of kilowatt-hour meters and meter accessories and import, export, distribute and otherwise deal in or with all kinds of related and other similar products.

RP Energy

RP Energy is a joint venture among *MGen,* Therma Power, Inc. ("*TPI*") and Taiwan Cogeneration International Corporation – Philippine Branch ("*TCIC*") for the construction and operation of a power plant in the Subic Bay Freeport Zone.

AF Payments

MERALCO, through *Finserve*, has a 10% equity interest in *AF Payments*. *AF Payments* operates and maintains an electronic payment clearing and settlement system through a contactless automated fare collection system for public utility, including generic contactless micropayment solution. It supplies and issues fare media and store value cards or reloadable cards for use in transport and non-transport facilities and operates and maintains the related hardware and software. The concession granted by the Department of Transportation ("*DOTr*") expired on December 16, 2025. *AF Payments* is in the process of finalizing a proposed two (2) year extension of the concession agreement with *DOTr*.

Due to the lower than expected penetration rate into the micropayments business, *MERALCO* recognized impairment in prior periods on the carrying amount of its investment in *AF Payments*.

Chromite Holdings

On January 27, 2025, *Chromite Holdings*, which is a joint venture between *MGen* (60%) and *TNGP* (40%), completed the acquisition of 67% stake in the two (2) gas-fired power plants owned by San Miguel Global Power Holdings Corp. ("*San Miguel Global*"), the 1,200 *MW* Ilijan power plant of South Premiere Power Corporation ("*SPPC*"), and a new 1,275 *MW* combined cycle power facility of Excellent Energy Resources. Inc's ("*EERI*"), and the *LNG* import and regasification terminal owned by Linseed Field Corporation ("*Linseed*"). The transaction was approved by the *PCC* on December 23, 2024.

On April 30, 2025, all three (3) units of *EERI* achieved commercial operation.

On June 1, 2025, *Linseed* completed its regasification terminal and achieved 2,400-*MW* gas send-out capacity allowing it to fully service the requirements of *SPPC* and *EERI*.

The details of the purchase consideration in accordance with the Investment Agreement are as follow:

	Amounts in millions
Cash paid	₱69,663
Hedge accounting adjustment	(1,717)
Liabilities	12,033
Total purchase consideration	₱79,979

In February 2026, *MGen* settled ₱6,185.4 million Investment Agreement-related liabilities.

The fair values of the identifiable assets and liabilities as at the date of acquisition, are as follows:

	Amounts in millions
Generation plant and others	₱148,668
Intangible assets	102,154
Other noncurrent assets	429
Cash and cash equivalents	1,918
Trade and other receivables	11,137
Inventories	4,474
Other current assets	23,683
Trade and other payables	(40,672)
Interest-bearing long-term financial liabilities	(14,834)
Deferred tax liabilities	(31,784)
Other noncurrent liabilities	(6,220)
Net identifiable assets	198,953
Equity interest acquired	40.2%
Net assets acquired	₱79,979

On March 19, 2026, *Chromite Holdings* redeemed the preferred shares owned by *MGen* amounting to ₱18,090 million at issue price. A corresponding redemption was also made for *TNGP*.

SBPL

SBPL, which is a joint venture between *MGen* (51%) and New Growth B.V. (49%), a 100% subsidiary of Electricity Generating Public Company Limited of Thailand ("*EGCO*"), owns and operates a 455 *MW* (net) supercritical coal-fired power plant in Mauban, Quezon.

SBPL delivers all its plant output to *MERALCO* under a 20-year *PSA* approved by the *ERC*.

RBC JV

RBC JV is a joint venture between Rockwell Land Corporation ("*Rockwell Land*") and *MERALCO* for a pre-agreed cooperation period, whereby *Rockwell Land* built and manages three (3) Business Process Outsourcing-enabled buildings on a non-regulatory asset base property of *MERALCO*. Investment in *RBC JV* represents *MERALCO's* 30% interest in the joint venture, while *Rockwell Land* has 70% interest in *RBC JV*.

NSEC

NSEC, a joint venture between *MGreen* and *Vena Energy*, owns and operates a 68 *MWac* solar power plant in Currimao, Ilocos Norte. *NSEC* has a 20- year *PSA* with *MPower*.

MPioneer

MPioneer is 35% owned by *MERALCO* and 65% owned by Pioneer Insurance and Surety Company. It is engaged in non-life insurance business.

MDJV

On June 2, 2014, *MRail* and Desco, Inc. entered into a Joint Venture Agreement for the general overhaul and rehabilitation of three (3) units of diesel electric locomotives by the Philippine National Railways. The project including its warranty period was completed on April 19, 2019. As at December 31, 2025, *MDJV* is still in the process of liquidation.

The condensed statements of financial position of material associates follow:

	March 31, 2026 (Unaudited)			
	ATEC	***FPM Power / PacificLight Power***	***Pylon***	***Barracuda***
		(Amounts in millions)		
Current assets	**₱4,563**	**₱29,402**	**₱5,829**	**₱4,768**
Noncurrent assets	**29,947**	**45,746**	**57,506**	**20,652**
Current liabilities	**(5,622)**	**(19,554)**	**(4,276)**	**(687)**
Noncurrent liabilities	**(8,618)**	**(16,216)**	**(38,550)**	**(17,559)**
Net assets	**₱20,270**	**₱39,378**	**₱20,509**	**₱7,174**

	December 31, 2025 (Audited)			
	ATEC	*FPM Power / PacificLight Power*	*Pylon*	*Barracuda*
		(Amounts in millions)		
Current assets	₱4,489	₱19,986	₱5,150	₱3,375
Noncurrent assets	30,366	41,971	56,634	19,133
Current liabilities	(6,538)	(20,149)	(4,264)	(819)
Noncurrent liabilities	(8,655)	(15,193)	(36,784)	(15,509)
Net assets	₱19,662	₱26,615	₱20,736	₱6,180

The condensed statements of comprehensive income of material associates are as follows:

	For the Three Months Ended March 31 (Unaudited)							
	2026				2025			
	ATEC	***FPM Power / PacificLight Power***	***Pylon***	***Barracuda***	*ATEC*	*FPM Power / PacificLight Power*	*Pylon*	*Barracuda*
	Amounts in millions							
Revenues	**₱2,536**	**₱20,965**	**₱2,117**	**₱85**	₱2,305	₱17,472	₱1,093	₱4
Costs and expenses	**(1,882)**	**(18,293)**	**(2,344)**	**(108)**	(1,790)	(14,475)	(1,721)	(71)
Net income (loss)	**654**	**2,672**	**(227)**	**(23)**	515	2,997	(628)	67
Non-controlling interests	**–**	**–**	**–**	**–**	(120)	–	–	–
Net income (loss) attributable to equity holders of the parent	**654**	**2,672**	**(227)**	**(23)**	395	2,997	(628)	67
Other comprehensive income	**–**	**2,794**	**–**	**–**	–	–	–	–
Total comprehensive income (loss)	**₱654**	**₱5,466**	**(₱227)**	**(₱23)**	₱395	₱2,997	(₱628)	₱67
Dividends received	**₱–**	**₱1,787**	**₱–**	**₱–**	₱–	₱856	₱–	₱–

The reconciliation of the net assets of the foregoing material associates to the carrying amounts of investments and advances in these associates recognized in the consolidated statements of financial position is as follows:

	March 31, 2026 (Unaudited)			
	ATEC	***FPM Power / PacificLight Power***	***Pylon***	***Barracuda***
	(Amounts in millions, except % of ownership)			
Net assets of associates	**₱20,270**	**₱39,378**	**₱20,509**	**₱7,174**
Proportionate ownership in associates (%)	**50**	**58**	**25.56**	**50**
	10,135	**22,839**	**5,242**	**3,587**
Fair value and other adjustments	**–**	**1,485**	**881**	**18**
	₱10,135	**₱24,324**	**₱6,123**	**₱3,605**

	December 31, 2025 (Audited)			
	ATEC	*FPM Power / PacificLight Power*	*Pylon*	*Barracuda*
	(Amounts in millions, except % of ownership)			
Net assets of associates	₱19,662	₱26,615	₱20,736	₱6,180
Proportionate ownership in associates (%)	50	58	25.56	50
	9,831	15,437	5,300	3,090
Fair value and other adjustments	–	5,461	881	80
	₱9,831	₱20,898	₱6,181	₱3,170

The following is the aggregate information of associates that are considered as not individually material:

	For the Three Months Ended March 31 (Unaudited)	
	2026	2025
	(Amounts in millions)	
Share in net income	**₱5**	₱35
Share in other comprehensive income	**–**	–
Share in total comprehensive income	**₱5**	₱35
Dividends received	**₱ –**	₱ –

Joint Ventures

The condensed statements of financial position of material joint ventures follow:

	March 31, 2026 (Unaudited)		
	RBC JV	***SBPL***	***Chromite Holdings***
	(Amounts in millions)		
Cash and cash equivalents	**₱896**	**₱4,143**	**₱59**
Current assets, excluding cash and cash equivalents	**326**	**5,413**	**–**
Noncurrent assets	**1,762**	**39,269**	**121,299**
Trade payables	**(81)**	**(447)**	**–**
Current liabilities, excluding trade payables	**(406)**	**(4,989)**	**(2,270)**
Noncurrent liabilities	**–**	**(25,191)**	**(6,950)**
Net assets	**₱2,497**	**₱18,198**	**₱112,138**

	December 31, 2025 (Audited)		
	RBC JV	*SBPL*	*Chromite Holdings*
	(Amounts in millions)		
Cash and cash equivalents	₱685	₱3,957	₱69
Current assets, excluding cash and cash equivalents	363	5,265	–
Noncurrent assets	1,861	39,673	147,491
Trade payables	(84)	(714)	(5)
Current liabilities, excluding trade payables	(405)	(4,023)	(19,421)
Noncurrent liabilities	–	(25,152)	–
Net assets	₱2,420	₱19,006	₱128,134

The condensed statements of comprehensive income of material joint ventures are as follows:

	For the Three Months Ended March 31 (Unaudited)					
	2026			2025		
	RBC JV	***SBPL***	***Chromite Holdings***	*RBC JV*	*SBPL*	*Chromite Holdings*
	(Amounts in millions)					
Revenues	**₱223**	**₱4,871**	**₱–**	₱221	₱5,068	₱–
Costs and expenses, excluding depreciation	**(39)**	**(2,618)**	**–**	(43)	(2,826)	–
Depreciation	**(56)**	**(385)**	**–**	(54)	(382)	–
Other income (expense) – net	**48**	**(552)**	**4,084**	49	(656)	1,416
Benefit from (provision for) income tax – net	**–**	**(326)**	**–**	–	8	–
Net income	**₱176**	**₱990**	**₱4,084**	₱173	₱1,212	₱1,416
Dividends received	**₱30**	**₱917**	**₱–**	₱–	₱1,228	₱–

The reconciliation of the net assets of the foregoing material joint ventures to the carrying amounts of investments in these joint ventures recognized in the consolidated statements of financial position is as follows:

	March 31, 2026 (Unaudited)		
	RBC JV	***SBPL***	***Chromite Holdings***
	(Amounts in millions, except % of ownership)		
Net assets of joint ventures	**₱2,497**	**₱18,198**	**₱112,138**
Proportionate ownership in joint ventures (%)	**30**	**51**	**60**
	749	**9,281**	**67,283**
Fair value and other adjustments	**–**	**–**	**4,337**
	₱749	**₱9,281**	**₱71,620**

	December 31, 2025 (Audited)		
	RBC JV	*SBPL*	*Chromite Holdings*
	(Amounts in millions, except % of ownership)		
Net assets of joint ventures	₱2,420	₱19,006	₱128,134
Proportionate ownership in joint ventures (%)	30	51	60
	726	9,693	76,880
Fair value and other adjustments	–	–	10,316
	₱726	₱9,693	₱87,196

The following is the condensed financial information of joint ventures which are considered immaterial:

	For the Three Months Ended March 31 (Unaudited)	
	2026	2025
	(Amounts in millions)	
Share in net income	**₱4**	₱24
Share in other comprehensive income (loss)	**–**	–
Share in total comprehensive income	**₱4**	₱24
Dividends received	**₱–**	₱–

9. **Investment Properties**

The movements in investment properties are as follows:

	March 31, 2026 (Unaudited)		
	Land	**Buildings and Improvements**	**Total**
	(Amounts in millions)		
Cost	**₱1,428**	**₱209**	**₱1,637**
Less accumulated depreciation:			
Balance at beginning of period	**–**	**154**	**154**
Depreciation	**–**	**1**	**1**
Balance at end of period	**–**	**155**	**155**
	₱1,428	**₱54**	**₱1,482**

	December 31, 2025 (Audited)		
	Land	Buildings and Improvements	Total
	(Amounts in millions)		
Cost	₱1,428	₱209	₱1,637
Less accumulated depreciation:			
Balance at beginning of period	–	150	150
Depreciation	–	4	4
Balance at end of period	–	154	154
	₱1,428	₱55	₱1,483

Investment properties consist of decommissioned substation sites, real properties held for capital appreciation, and other non-regulatory asset base real properties. Some of these investment properties are being leased out.

The aggregate fair values of the investment properties as at March 31, 2026 and December 31, 2025 are as follows:

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
		(Amounts in millions)
Land	**₱10,998**	₱5,619
Buildings and improvements	**164**	164

The fair values of investment properties were determined by independent, professionally qualified appraisers. The fair value represents the price that would be received to sell an investment property in an orderly transaction between market participants at the measurement date.

The fair value disclosures of the investment properties are categorized as Level 3 as there is no active market for identical or similar properties. The inputs include price per square meter ranging from ₱100 to ₱409,000. There have been no changes in the valuation techniques used.

In conducting the appraisal, the independent professional appraisers used one (1) of the following approaches:

a. Market Data or Comparative Approach

Under this approach, the value of the property is based on sales and listings of comparable property registered within the vicinity. This approach requires the establishment of a comparable property by reducing comparative sales and listings to a common denominator with the subject property. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparables. The properties used are either situated within the immediate vicinity or at different floor levels of the same building, whichever is most appropriate to the property being valued. Comparison was premised on the following: location, size and physical attributes, selling terms, facilities offered and time element.

b. Depreciated Replacement Cost Approach

This method of valuation considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation based on physical wear and tear and obsolescence.

10. Intangible Assets

The movements of intangible assets are as follows:

		March 31, 2026 (Unaudited)				
	Note	**Software**	**Franchise**	**Land and Leasehold Rights**	**Customer Contracts**	**Total**
				(Amounts in millions)		
Cost:						
Balance at beginning of period		**₱9,023**	**₱63**	**₱696**	**₱43,505**	**₱53,287**
Additions		**201**	**–**	**6**	**–**	**207**
Balance at end of period		**9,224**	**63**	**702**	**43,505**	**53,494**
Less accumulated amortization:						
Balance at beginning of period		**6,451**	**–**	**467**	**5,417**	**12,335**
Amortization		**99**	**–**	**6**	**257**	**362**
Reclassification	*3*	**23**	**–**	**–**	**–**	**23**
Balance at end of period		**6,573**	**–**	**473**	**5,674**	**12,720**
Less allowance for impairment loss		**294**	**–**	**–**	**–**	**294**
		₱2,357	**₱63**	**₱229**	**₱37,831**	**₱40,480**

	Note	December 31, 2025 (Audited) Software	Franchise	Land and Leasehold Rights	Customer Contracts	Total
				(Amounts in millions)		
Cost:						
Balance at beginning of period		₱8,460	₱63	₱776	₱43,505	₱52,804
Additions		622	–	24	–	646
Disposals/retirement		(50)	–	–	–	(50)
Reclassification	*3*	(9)	–	(104)	–	(113)
Balance at end of period		9,023	63	696	43,505	53,287
Less accumulated amortization:						
Balance at beginning of period		6,113	–	463	4,375	10,951
Amortization		390	–	32	1,042	1,464
Disposals/retirement		(50)	–	–	–	(50)
Reclassification	*3*	(2)	–	(28)	–	(30)
Balance at end of period		6,451	–	467	5,417	12,335
Less allowance for impairment loss		294	–	–	–	294
		₱2,278	₱63	₱229	₱38,088	₱40,658

The identified intangible asset from the acquisition of controlling interest in *SPNEC* pertains to the existing customer contract of *MTerra Solar* at acquisition date which was recognized at fair value.

See *Note 3 – Statement of Compliance and Basis of Consolidation*.

11. **Other Noncurrent Assets**

This account consists of:

	Note	**March 31, 2026 (Unaudited)**	December 31, 2025 (Audited)
		(Amounts in millions)	
Financial assets:			
Financial assets at *FVOCI*	*27*	**₱3,180**	₱3,231
Debt securities at amortized cost	*15 and 27*	**1,068**	1,088
Nonfinancial assets:			
Under-recoveries of pass-through charges – net	*2 and 24*	**11,914**	10,535
Deposits		**8,474**	7,147
Finance lease		**1,106**	899
Receivable from the *BIR*		**181**	181
Construction bonds		**162**	162
Deferred input *VAT*		**22**	23
Others		**994**	870
		₱27,101	₱24,136

Financial Assets at *FVOCI*

The details of financial assets at *FVOCI* are as follows:

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
	(Amounts in millions)	
Investments in debt securities - corporate bonds and others	**₱603**	₱777
Investments in shares of stock and club shares	**2,577**	2,454
	₱3,180	₱3,231

Interest income from debt and equity securities amounted to ₱49 million and ₱127 million for the three months ended March 31, 2026 and 2025, respectively.

The rollforward of unrealized fair value gains on quoted *FVOCI* financial assets, net of tax, included in the consolidated statements of financial position follow:

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
	(Amounts in millions)	
Balance at beginning of period	**₱895**	₱801
Unrealized fair value gains (losses) on fair value changes on:		
Debt securities	**112**	108
Equity securities	**11**	(14)
Balance at end of period	**₱1,018**	₱895

Debt Securities at Amortized Cost

The details of debt securities at amortized cost are as follows:

	March 31, 2026 (Unaudited)			December 31, 2025 (Audited)		
	Current Portion (see *Note 15*)	**Noncurrent Portion**	**Total**	Current Portion (see *Note 15*)	Noncurrent Portion	Total
			(Amounts in millions)			
Government securities	**₱–**	**₱1,036**	**₱1,036**	₱–	₱1,056	₱1,056
Private debt securities	**21**	**32**	**53**	–	32	32
	₱21	**₱1,068**	**₱1,089**	₱–	₱1,088	₱1,088

Net Under-Recoveries of Pass-through Charges

This account represents generation, transmission and other pass-through costs incurred by *MERALCO Clark Electric* and *Shin Clark Power* as *DU*s, determined based on *ERC*-approved recovery mechanism, which shall be billed to customers, upon confirmation by the *ERC*. The balance also includes net under-recoveries of generation, transmission and other pass-through charges of current and prior periods, which are the subject of various applications for recovery and approval by the *ERC*.

Allowance for *ECL* for net under -recoveries of pass-through charges amounted to ₱4,602 million as at March 31, 2026 and December 31, 2025.

See *Note 13 – Trade and Other Receivables*.

Deferred Input VAT

The amount represents the balance of input *VAT* incurred up to December 31, 2021, and paid in connection with purchase of capital assets in excess of ₱1 million per month. Such input tax from purchase of capital assets was deferred and offset againt output tax evenly over the estimated useful lives of the related capital assets or 60 months, whichever is shorter.

Finance Lease

Spectrum entered into several bilateral *PSA*s to lease out solar power generation systems to its customers under a finance lease arrangement for periods ranging from 10 to 28 years.

Spectrum recognized finance lease receivables equivalent to its net investments under the lease. Net investment in the lease is the fair value of the asset and the present value of the minimum lease payments, whichever is lower. The average implicit interest rate of the lease arrangements ranges from 7.07% to 12.52% per annum at the inception of the lease.

Minimum lease payment pertains to the price of estimated energy output that the asset can produce and deliver to the lessee. The difference of actual and minimum lease payments from finance lease arrangements is recognized under "Other income (expense)" account in the consolidated statement of income.

The lease payments made by the lessees consist of interest and principal determined using the *EIR* method. The lease receivable is reduced by the principal portion of the lease payment made by the lessee.

12. Cash and Cash Equivalents

This account consists of:

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
	(Amounts in millions)	
Cash on hand and in banks	**₱33,435**	₱41,292
Cash equivalents	**79,461**	68,025
	₱112,896	₱109,317

Cash in banks earn interest at prevailing bank deposit rates. Cash equivalents are temporary cash investments, which are made for varying periods of up to three (3) months depending on *MERALCO Group*'s immediate cash requirements and earn interest at the prevailing short-term investment rates.

Interest income on cash in banks and cash equivalents amounted to ₱705 million and ₱717 million for the three months ended March 31, 2026 and 2025, respectively.

As at March 31, 2026 and December 31, 2025, cash and cash equivalents include balances in bank accounts totaling ₱5,084 million and ₱5,077 million, respectively, equivalent to unpaid *SC* refund, meter deposits and *RES* bill deposits which *MERALCO* set aside in compliance with regulatory requirements.

13. Trade and Other Receivables

This account consists of:

	Note	**March 31, 2026 (Unaudited)**	December 31, 2025 (Audited)
		(Amounts in millions)	
Trade:			
Electricity sold	*23 and 27*	**₱42,161**	₱46,030
Service contracts		**9,592**	10,955
Energy generated	*27*	**6,208**	6,717
Unbilled receivables	*24*	**8,197**	8,150
Subscription receivable	*3*	**9,109**	12,109
Nontrade	*23 and 27*	**3,681**	2,441
		78,948	86,402
Less allowance for expected credit losses		**9,649**	9,676
		₱69,299	₱76,726

Movements in allowance for expected credit losses for trade and other receivables are as follows:

	March 31, 2026 (Unaudited)			
	Balance at Beginning of Period	**Provisions**	**Write-offs**	**Balance at End of Period**
		(Amounts in millions)		
Trade:				
Electricity sold	**₱6,848**	**(₱1)**	**₱–**	**₱6,847**
Energy generated	**1,301**	**–**	**–**	**1,301**
Other trade receivables	**1,117**	**–**	**(37)**	**1,080**
Nontrade receivables	**410**	**11**	**–**	**421**
	₱9,676	**₱10**	**(₱37)**	**₱9,649**

	December 31, 2025 (Audited)			
	Balance at Beginning of Period	Provisions	Write-offs	Balance at End of Period
		(Amounts in millions)		
Trade:				
Electricity sold	₱6,349	₱504	(₱5)	₱6,848
Energy generated	1,279	173	(151)	1,301
Other trade receivables	787	330	–	1,117
Nontrade receivables	439	39	(68)	410
	₱8,854	₱1,046	(₱224)	₱9,676

	March 31, 2026 (Unaudited)					December 31, 2025 (Audited)				
	Trade					Trade				
	Electricity Sold	Energy Generated	Other Trade Receivables	Nontrade Receivables	Total	Electricity Sold	Energy Generated	Other Trade Receivables	Nontrade Receivables	Total
	(Amounts in millions)									
Individually impaired	₱4,916	₱–	₱1,080	₱421	₱6,417	₱4,732	₱–	₱1,117	₱410	₱6,259
Collectively impaired	1,931	1,301	–	–	3,232	2,116	1,301	–	–	3,417
	₱6,847	₱1,301	₱1,080	₱421	₱9,649	₱6,848	₱1,301	₱1,117	₱410	₱9,676

Trade Receivables – Electricity Sold

Trade receivables of *MERALCO*, *Clark Electric* and *Shin Clark Power* include charges for pass-through costs. Pass-through costs of *MERALCO* as a *DU* consist of generation, transmission and *SL* charges, which represent 62%, 10% and 4%, respectively, of the total billed amount in 2026 and 64%, 8% and 5%, respectively, of the total billed amount in 2025. Billed receivables are due 10 days after bill date. *MERALCO*'s, *Clark Electric*'s and *Shin Clark Power*'s trade receivables are noninterest-bearing and are substantially secured by bill deposits. Electricity consumed after the meter reading cut-off dates, which will be billed to customers in the immediately following billing period, is included as part of trade receivables.

See *Note 27 – Financial Assets and Financial Liabilities.*

Trade Receivables – Energy Generated

Trade receivables – energy generated represents non-interest-bearing outstanding billings for energy generated and sold and pass-through fuel costs arising from the delivery of electricity to customers and energy sales to the *WESM* by power generation subsidiaries. Credit term is 15 to 30 days from the date of receipt of billing.

Trade Receivables – Service Contracts

Service contracts receivable arise from contracts entered into with the *MIESCOR Group*, *eMVI Group*, *CIS Group*, *MRail*, *MServ*, *Finserve*, *Comstech, eSakay* and *Spectrum* for construction, engineering, consulting and related manpower, light rail maintenance, telecommunications and data transport, e-transactions and bills collection, tellering and e-business development, energy systems management and harnessing renewable energy to third parties.

Receivables from service contracts and others are noninterest-bearing and are generally on 30 to 90-day terms.

See *Note 11 – Other Noncurrent Assets*.

14. **Inventories**

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
	(Amounts in millions)	
Materials and supplies:		
At cost	**₱11,869**	₱12,000
At net realizable value ("*NRV*")	**10,828**	10,983
Materials and supplies at lower of cost and *NRV*	**₱10,828**	₱10,983

The net realizable value of inventories is net of allowance for inventory obsolescence of ₱1,041 million and ₱1,017 million as at March 31, 2026 and December 31, 2025, respectively. No item of inventory has been written off for the three months ended March 31, 2026 and 2025.

Movements in allowance for inventory obsolescence are as follows:

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
	(Amounts in millions)	
Balance at beginning of period	**₱1,017**	₱1,005
Provision for allowance for inventory obsolescence	**24**	12
Balance at end of period	**₱1,041**	₱1,017

See *Note 25 – Expenses and Income.*

15. **Other Current Assets**

	Note	**March 31, 2026 (Unaudited)**	December 31, 2025 (Audited)
		(Amounts in millions)	
Financial assets:			
Derivative assets	*27*	**₱1,478**	₱524
Short-term investments		**151**	140
Debt securities at amortized cost	*11*	**21**	–
Nonfinancial assets:			
Input *VAT*		**10,320**	9,293
Advance payments to suppliers		**3,583**	3,252
Prepayments		**1,954**	1,275
Prepaid tax		**903**	934
Creditable withholding taxes		**484**	456
Others		**143**	324
		₱19,037	₱16,198

16. **Equity**

Common Stock

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
	(In millions, except par value)	
Authorized number of shares - ₱10 par value per share	**1,250**	1,250
Issued and outstanding – number of shares	**1,127**	1,127

There was no movement in the number of shares of *MERALCO*'s common stock.

The common shares of *MERALCO* were listed on the *PSE* on January 8, 1992. There are 39,970 and 40,060 common shareholders as at March 31, 2026 and December 31, 2025, respectively.

Unappropriated Retained Earnings

The unappropriated retained earnings include accumulated earnings of subsidiaries, associates and joint ventures, the balance of *MERALCO*'s revaluation increment in utility plant, generation plant and others, and investment properties carried at deemed cost, deferred tax assets and unrealized foreign exchange gains totaling to ₱112,410 million and ₱107,107 million as at March 31, 2026 and December 31, 2026, respectively. These amounts are h for dividend declaration purposes as of the close of the respective reporting period.

The following are the cash dividends declared on common shares for the for the three months ended March 31, 2026 and 2025:

Declaration Date	Record Date	Payment Date	Dividend Per Share	Amount
				(In millions)
February 25, 2026	March 26, 2026	April 20, 2026	₱16.67	₱18,791
February 24, 2025	March 12, 2025	April 4, 2025	13.74	15,482

The *BOD*-approved dividend policy of *MERALCO* consists of (i) regular cash dividends equivalent to 50% of *CCNI* for the year; and (ii) special dividend determined on a "look-back" basis. Declaration and payment of special dividend are dependent on the availability of unrestricted retained earnings and free cash. The declaration, record and payment dates shall be consistent with the guidelines and regulations of the Philippine *SEC*.

Hedging Reserve

In 2024, *MERALCO* entered into various foreign exchange forwards to "lock-in" investment cost for *Chromite Holdings* which is payable in foreign currency. The foreign exchange forwards were accounted for as cashflow hedge. The changes in the fair value of the foreign exchange forwards were recorded as hedging reserve account in the consolidated statement of changes in equity and accounted for in the investment balance as of closing date.

In January 2025, the investment in *Chromite Holdings* was completed and *MERALCO* infused **$**1.187 billion into *MGen* as settlement for its share in the investment in *Chromite Holdings*. The hedging reserve gain was reclassified from *OCI* to investment account at ₱1,717 million.

In 2025, *MTerra Solar* entered into various forward exchange forwards to hedge its forecasted payments in foreign currency arising from its Engineering and Procurement Contracts related to the construction of its solar power plant. The forecasted payments depend on each supplier's milestone. The foreign exchange forwards were accounted for as cashflow hedges. The changes in the fair value of the foreign exchange forwards were recorded as hedging reserve account in the consolidated statement of changes in equity and were reclassified in the generation plant construction cost at each milestone payment date. The hedging reserve loss reclassified from *OCI* to generation plant construction cost amounted to ₱250 million.

Treasury Shares

Treasury shares represent the subscribed shares and the related rights of employees who have opted to withdraw from the Employee Stock Purchase Plan ("*ESPP*") in accordance with the provisions of the *ESPP* and which *MERALCO* purchased.

As at March 31, 2026, the total number of treasury shares is 178,608. All of the treasury shares pertain to cancelled shares subscribed under the *ESPP*.

17. Interest-bearing Long-term Financial Liabilities

This account consists of the following:

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
	(Amounts in millions)	
Long-term portion of interest-bearing financial liabilities – long-term debt	**₱202,668**	₱186,531
Current portion of interest-bearing financial liabilities:		
Long-term debt	**5,002**	5,689
Redeemable preferred stock	**1,455**	1,459
	6,457	7,148
	₱209,125	₱193,679

All of the redeemable preferred shares have been called as at June 30, 2011, consistent with the terms of the Preferred Shares Subscription Agreement. Accrued interests amounted to ₱248 million as at March 31, 2026 and December 31, 2025. Interest is no longer accrued from the time such preferred shares were called for redemption.

The details of interest-bearing long-term financial liabilities are as follows:

	March 31, 2026 (Unaudited)	**December 31, 2025 (Audited)**
	(Amounts in millions)	
MERALCO		
₱75.0 Billion Term Loan	**₱74,250**	₱75,000
₱10.0 Billion Term Loan	**9,700**	9,700
₱6.5 Billion Term Loan	**6,500**	–
MGen Group		
₱76.1 Billion Term Loan	**76,097**	68,597
₱18.0 Billion Term Loan	**15,300**	15,300
₱11.6 Billion Term Loan	**7,961**	8,203
₱3.8 Billion Term Loan	**3,770**	–
₱5.8 Billion Term Loan	**3,190**	3,190
₱4.5 Billion Term Loan	**2,713**	2,811
₱3.0 Billion Term Loan	**2,564**	2,564
₱2.7 Billion Term Loan	**2,427**	2,502
₱2.0 Billion Term Loan	**2,034**	2,034
₱3.5 Billion Term Loan	**1,170**	1,365
₱791 Million Term Loan	**791**	791
₱3.4 Billion Term Loan	**551**	762
MIESCOR		
₱375 Million Term Loan	**134**	134
MServ		
₱600 Million Term Loan	**120**	240
Radius		
₱700 Million Term Loan	**–**	525
Total long-term debt	**209,272**	193,718
Less unamortized debt issue costs	**1,739**	1,648
	207,533	192,070
Redeemable preferred stock	**1,455**	1,459
Fair value adjustment in relation to the purchase of *GBPC*	**137**	150
	209,125	193,679
Less current portion	**6,457**	7,148
Long-term portion of interest-bearing financial liabilities	**₱202,668**	₱186,531

The scheduled maturities of the outstanding long-term debt at nominal values as at March 31, 2026 are as follows:

	Amount in millions
Less than one (1) year	₱5,443
One (1) year up to two (2) years	7,112
More than two (2) years up to three (3) years	7,894
More than three (3) years up to four (4) years	8,908
More than four (4) years up to five (5) years	10,724
More than five (5) years	169,191
	₱209,272

MERALCO

₱75.0 Billion Term Loan

MERALCO has a ₱75,000 million, 12-year floating rate loan due in January 2037. The related interest is payable quarterly. The principal is payable in nominal annual amortizations with a balloon payment upon final maturity.

₱10.0 Billion Term Loan

MERALCO has a ₱10,000 million, 10-year floating rate loan due in December 2032. The related interest is payable quarterly. The principal is payable in nominal annual amortizations with a balloon payment upon final maturity.

₱6.5 Billion Term Loan

MERALCO has a ₱6,500 million, 12-year floating rate loan due in February 2038. The related interest is payable quarterly. The principal is payable in nominal annual amortizations with a balloon payment upon final maturity.

MGen Group

₱76.1 Billion Term Loan

MTerra Solar has a ₱76,097 million, 15-year term loan due in March 2040. Interest rate is subject to repricing in March 2030. The principal is payable quarterly until maturity.

₱18.0 Billion Term Loan

GBPC has a ₱18,000 million, 15-year term loan due in May 2036. Interest rate is subject to repricing in May 2026. The principal is payable semi- annually until maturity.

₱11.6 Billion Term Loan

On April 28, 2022, *PEDC* obtained a ₱11,580 million, 12-year term loan due in April 2034. The principal and related interest are payable quarterly.

₱3.8 Billion Term Loan

Solar Philippines Tarlac has a ₱3,770 million, 14-year term loan due in January 2040. The principal and related interest are payable quarterly.

₱5.8 Billion Term Loan

CEDC's ₱5.8 billion Term Loan represents a restructured loan from the original project financing obligation. This restructured loan is payable semi-annually over 10 years until June 2031.

₱4.5 Billion Term Loan

This bilateral term loan with a consortium of banks was used to finance the acquisition of a 50% less one share in *ATEC* by *GBPC*. The loan is a fixed rate 12-year facility with quarterly principal repayment until November 2029.

₱3.0 Billion Term Loan

First Bulacan has a ₱3,039 million, 15-year term loan with interest repricing on November 2029 and the principal amount payable semi-annually until November 2034.

₱2.7 Billion Term Loan

PHRI has a ₱2,650 million term loan due in September 2037. The principal and related interest are payable semi-annually.

₱2.0 Billion Term Loan

On May 17, 2024, *Greenergy* secured a 15-year term project financing facility to fund the ongoing construction of its 52.7 *MWac* solar project in Cordon, Isabela. The principal and related interest are payable semi-annually until May 2039.

₱3.5 Billion Term Loan

TPC has a ₱3,500 million, 5-year term loan due in July 2027. The principal and related interest are payable quarterly.

₱791 Million Term Loan

On May 17, 2024, *GSEI* secured a 15-year term project financing facility to develop its 19.8 *MWac* solar plant in Bongabon, Nueva Ecija. The principal and related interest are payable semi-annually until May 2039.

₱3.4 Billion Term Loan

Solar Philippines Calatagan has a ₱3,400 million, 12-year term loan due in April 2029. The principal and related interest are payable semi-annually.

MIESCOR

₱375 Million Term Loan

MIESCOR has a ₱375 million, fixed rate term loan, payable semi-annually until June 2028.

MServ

₱600 Million Term Loan

MServ's ₱600 million 10-year fixed rate term loan is payable based on pre-agreed amortization until 2027 while interest is payable semi-annually.

Radius

₱700 Million Term Loan

The ₱700 million loan of *Radius* was used to finance the expansion of the residential and Micro, Small and Medium Enterprise ("*MSME*") segment of its broadband business. The principal and related interest are payable quarterly until August 2029. In March 2026, the loan was fully paid.

The annual interest rates of the interest-bearing financial liabilities range from 4.70% to 8.29% and 4.70% to 8.70% as at December 31, 2025 and 2024, respectively.

Debt Covenants

The terms of the *MERALCO* loans include compliance with debt service coverage of 1.1 times calculated on specific measurement dates. The agreements also contain restrictions with respect to the creation of liens or encumbrances on assets, issuance of guarantees, mergers or consolidations, disposition of a significant portion of its assets and related party transactions.

MERALCO's subsidiaries loan agreements require compliance with certain financial ratios at all times until full payment of the obligations. The restrictions also cover payment of dividends, distributions or other returns to its stockholders, additional liens on its assets, disposal of assets, incurrence of additional indebtedness, among others. *GBPC* is prohibited from entering into merger or consolidation with other corporation, unless *GBPC* is the surviving entity.

As at March 31, 2026 and December 31, 2025, the *MERALCO Group* is in compliance with all of the covenants of the loan agreements.

Interest expense on the foregoing long-term financial liabilities amounted to ₱1,664 million and ₱1,586 million for the three months ended March 31, 2026 and 2025, respectively.

Unamortized Debt Issue Costs

The following presents the changes to the unamortized debt issue costs:

	Note	**March 31, 2026 (Unaudited)**	December 31, 2025 (Audited)
		(Amounts in millions)	
Balance at beginning of period		**₱1,648**	₱403
Additions		**116**	1,377
Amortization charged to interest and other financial charges		**(25)**	(132)
Balance at end of period		**₱1,739**	₱1,648

Redeemable Preferred Stock

The movements in the number of shares of the redeemable preferred stock, which have all been called, are as follows:

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Balance at beginning of period	**145,874,926**	146,108,911
Redemptions	**(422,195)**	(233,985)
Balance at end of period	**145,452,731**	145,874,926

The original "Terms and Conditions" of *MERALCO*'s Special Stock Subscription Agreement, which required every service applicant to subscribe to preferred stock with 10% dividend to cover the cost of extension of, or new, distribution facilities, have been amended by the *Magna Carta* and the *DSOAR,* effective June 17, 2004 and January 18, 2006, respectively. The amendment sets forth the guidelines for the issuance of preferred stock, only if such instrument is available.

18. **Customers' Deposits**

This account consists of:

	March 31, 2026 (Unaudited)			December 31, 2025 (Audited)		
	Current Portion (see *Note 22*)	**Noncurrent Portion**	**Total**	Current Portion (see *Note 22*)	Noncurrent Portion	Total
			(Amounts in millions)			
Bill deposits	**₱2,497**	**₱39,901**	**₱42,398**	₱2,482	₱39,206	₱41,688
Meter deposits	**318**	–	**318**	318	–	318
	₱2,815	**₱39,901**	**₱42,716**	₱2,800	₱39,206	₱42,006

Bill Deposits

Bill deposits serve to guarantee payment of bills by a customer.

As provided in the *Magna Carta* and *DSOAR*, all captive customers of the *DU* are required to pay a deposit, equivalent to the estimated monthly bill calculated based on applied load. Such deposit shall be updated annually based on the historical 12-month average bill. A captive customer who has paid his electric bills on or before due date for three (3) consecutive years may apply for the full refund of the bill deposit, together with the accrued interests, prior to the termination of his service; otherwise bill deposits and accrued interests shall be refunded within one (1) month from the termination of service, provided all bills have been paid.

Under the amended *DSOAR,* interest on bill deposits for both residential and non-residential customers shall be computed using the equivalent peso savings account interest rate of the Land Bank of the Philippines ("*Land Bank*") or other government banks, on the first working day of the year, subject to the confirmation by the *ERC.*

Under *ERC* Resolution No. 03, Series of 2026, the *ERC* introduced amendments to the Magna Carta. With respect to bill deposits, the rules were updated to introduce automatic bill deposit refunds for (a) consumers who qualify for a 100% lifeline discount and (b) customers who have made timely payments for two consecutive years. New applicants may also pay required bill deposits in full or three (3) monthly installments and *DU*s may waive or provide alternatives to bill deposits.

In addition, under its Advisory dated January 31, 2026, the *ERC* directed all *DU*s to submit detailed information regarding its bill deposits within thirty (30) days, or until March 1, 2026. On May 3, 2026, *MERALCO* submitted the information required by the *ERC.*

The following are the movements of the bill deposits account:

	Note	**March 31, 2026 (Unaudited)**	December 31, 2025 (Audited)
		(Amounts in millions)	
Balance at beginning of period		**₱41,688**	₱35,767
Additions		**1,145**	13,259
Refunds		**(435)**	(7,338)
Balance at end of period		**42,398**	41,688
Less portion maturing within one year	*22*	**2,497**	2,482
Noncurrent portion of bill deposits and related interests		**₱39,901**	₱39,206

Interest expense on bill deposits amounted to ₱5 million and ₱6 million for the three months ended March 31, 2026 and 2025, respectively.

Meter Deposits

Meter deposits were intended to guarantee the cost of meters installed.

Following the effectivity of the *Magna Carta* (for residential customers) and *DSOAR* (for non-residential customers), all customers are exempt from payment of meter deposits.

MERALCO deposited the amount equivalent to the unclaimed meter deposits in a single savings account in compliance with the *ERC* order in 2016.

19. Provisions

The movements of the provisions account follow:

	Note	**March 31, 2026 (Unaudited)**	December 31, 2025 (Audited)
		(Amounts in millions)	
Balance at beginning of period		**₱63,514**	₱65,493
Provisions for the period - net		**2,321**	12,167
Settlements		**(2,031)**	(5,158)
Reclassifications	*22*	**1,204**	(8,988)
Balance at end of period		**65,008**	63,514
Less current portion	*22*	**52,860**	51,179
Noncurrent portion of provisions		**₱12,148**	₱12,335

Provisions represent estimated amount of over-recoveries and claims or losses related to commercial arrangements with unresolved terms and local/national tax assessments being contested as discussed in *Note 29 – Contingencies and Legal Proceedings.* Information provided is consistent with the limited disclosure provision as allowed in *PFRS* Accounting Standards.

MERALCO recognized provisions over-recoveries. The movements in and the balance of the "Other noncurrent liabilities" and "Trade payables and other current liabilities" accounts in the consolidated statements of financial position include these. *MERALCO* recognized a net provisions included in "Other noncurrent liabilities" amounting to ₱1,798 million and net reversal of provisions amounting to ₱267 million for the three months ended March 31, 2026 and 2025, respectively.

See *Note 2 Rate Regulations*.

20. Customers' Refund

This account represents the balance of the refund related to the *SC* decision promulgated on April 30, 2003, which is continuously being refunded based on documents presented by qualified claimants. The unclaimed amount is deposited in a separate interest-bearing bank account.

MERALCO implemented the *SC* ruling which ordered the refund of ₱0.167 per *kWh* for billings made from February 1994 to April 2003 in four (4) phases. Even while the refund period ended, *MERALCO* continues to process refunds as the eligible customers present their required supporting documents. The refund shall continue until the *ERC* orders otherwise.

See *Note 2 – Rate Regulations*.

21. Notes Payable

Notes payable represent unsecured interest-bearing working capital loans obtained from local banks and which are due within one (1) year. Annual interest rates were up to 5.60% and 6.31% as at March 31, 2026 and December 31, 2025, respectively.

Interest expense on notes payable amounted to ₱334 million and ₱387 million for the three months ended March 31, 2026 and 2025, respectively.

22. Trade Payables and Other Current Liabilities

This account consists of the following:

	Note	**March 31, 2026 (Unaudited)**	December 31, 2025 (Audited)
		(Amounts in millions)	
Trade accounts payable	*23 and 24*	**₱78,920**	₱90,525
Accrued expenses:			
Employee benefits		**3,999**	4,664
Services		**3,116**	3,255
Interest	*17*	**1,771**	1,459
Others		**2,791**	2,845
Current portions of:			
Provisions	*2, 19 and 29*	**52,860**	51,179
Bill deposits and related interests	*18*	**2,497**	2,482
Deferred income		**2,146**	499
Meter deposits and related interests	*18*	**318**	318
Refundable service extension costs		**1,010**	1,017
Dividends payable on:			
Common stock	*16*	**21,738**	4,195
Redeemable preferred stock	*17*	**248**	248
Payables to customers		**12,239**	11,817
Taxes		**10,724**	10,102
Liabilities related to Put Option and Investment Agreement	*3 and 8*	**1,360**	7,545
Universal charges payable	*32*	**3,984**	3,439
FiT-All payable	*32*	**1,335**	1,393
Payroll related remittances		**422**	474
Regulatory fees payable		**482**	412
Lease liability		**213**	175
Green Energy Auction Allowance ("*GEA-All*")		**191**	–
Other current liabilities		**1,404**	1,577
		₱203,768	₱199,620

Trade Accounts Payable

Trade accounts payable are mainly obligations to power generating companies, *NGCP* and *IEMOP* for costs of power purchased and transmission services. In addition, this account includes liabilities due to local and foreign suppliers for purchases of goods and services, consisting of transformers, poles, coal, materials and supplies, and contracted services, among others.

Trade payables are non-interest-bearing and are generally settled within 15 to 30 days from the receipt of invoice. Other payables are non-interest-bearing and due within one (1) year from incurrence.

See *Note 23 – Related Party Transactions, Note 24 – Revenue and Purchased Power* and *Note 30 – Significant Contracts and Commitments.*

Taxes

Taxes represent pass-through *VAT*, output *VAT*, withholding taxes and energy taxes payable. Pass-through *VAT* pertains to *VAT* on generation and transmission costs billed to the *DU*, which are in turn billed to the customers. Remittance of such pass-through *VAT* to the generation companies is based on collection of billed receivables from the customers.

Refundable Service Extension Costs

Article 14 of the *Magna Carta*, specifically, "Right to Extension of Lines and Facilities", requires a customer requesting for an extension of lines and facilities beyond 30-meter service distance from the nearest voltage facilities of the *DU* to advance the cost of the project. The amended *DSOAR*, which became effective April 1, 2010, requires such advances from customers to be refunded at the rate of 75% of the distribution revenue generated from the extension lines and facilities until such amounts are fully refunded. The related asset shall form part of the rate base only as the refund is paid out. Customer advances are non-interest-bearing.

As at March 31, 2026 and December 31, 2025, the noncurrent portion of refundable service extension costs of ₱3,356 million and ₱3,371 million, respectively, is presented as "Refundable service extension costs - net of current portion" account in the consolidated statements of financial position.

Universal Charges Payable

Universal charges are amounts passed on and collected from customers on a monthly basis by *PSALM* through the *DU*s. These are charges imposed to recover stranded debts, stranded contract costs of National Power Corporation ("*NPC*"), stranded contract costs of eligible contracts of *DU*s, missionary electrification and environment charges. *DU*s remit collections monthly to *PSALM* who administers the fund generated from universal charges and disburses the said funds in accordance with the intended purposes.

Payables to Customers

Payables to customers include bill credits and advance payments received from customers that are applied to their current consumption.

23. Related Party Transactions

The *MERALCO Group* has approval process and limits with respect to the amounts and extent of related party transactions.

The following summarizes the nature of transactions, which have been provided to and/or contracted by the *MERALCO Group* to/with related parties for the relevant period. The outstanding balances are unsecured, non-interest-bearing and settled in cash.

Pole Attachment Contract with PLDT

MERALCO has a pole attachment contract with *PLDT* similar to pole attachment contracts of *MERALCO* with third parties/ telecommunication companies. Under the pole attachment contract, *PLDT* shall use the contracted cable positions exclusively for its telecommunication cable network facilities.

Sale of Electricity under Various Service Contracts

MERALCO and *Clark Electric* sells electricity to its subsidiaries, associates, joint ventures and related party shareholder groups with operations within the franchise area, namely, *PLDT*, *Metro Pacific* and *JG Summit* and their respective subsidiaries and affiliates. The rates charged to related parties as captive customers are the same *ERC*-mandated rates applicable to all captive customers within the franchise area. The rates charged by *RES* to related parties as contestable customers are offered based on the same rate model for other contestable customers.

Purchase of Telecommunication Services from PLDT and Subsidiaries

The *MERALCO Group*'s telecommunications carriers include *PLDT* for its wireline and Smart Communications, Inc. for its fixed and wireless services. Such services are covered by standard service contracts between the telecommunications carriers and each legal entity within the *MERALCO Group*.

Purchase of Goods and Services

In the ordinary course of business, the *MERALCO Group* purchases goods and services from its affiliates and sells power and renders services to such affiliates.

PSAs

As discussed in Note 30, *MERALCO* has long-term *PSAs* with *MTerra Solar*, *SPPC*, *EERI*, *SBPL, NSEC, First Bulacan,* and *Solar Philippines Tarlac*.

Following is a summary of related party transactions for the three months ended March 31, 2026 and 2025 and the outstanding balances as at March 31, 2026 and December 31, 2025:

	Amount of Transactions		Outstanding Receivable (Liability)			
	For the Three Months Ended March 31					
Category	**2026**	2025	**March 31, 2026**	December 31, 2025	Terms	Conditions
	(Amounts in millions)					
Sale of electricity:						
JG Summit Group	**₱1,272**	₱1,049	**₱821**	₱870	10-day; noninterest-bearing	Unsecured, no impairment
PLDT Group	**148**	198	**36**	34	10-day; noninterest-bearing	Unsecured, no impairment
Metro Pacific Group	**77**	140	**35**	44	10-day; noninterest-bearing	Unsecured, no impairment
Purchases of IT services - *Indra Philippines*	**202**	278	**(160)**	(79)	30-day; noninterest-bearing	Unsecured
Purchases of meters and devices – *Aclara Meters*	**75**	142	**(34)**	(41)	30-day; noninterest-bearing	Unsecured

Category	Amount of Transactions For the Three Months Ended March 31 **2026**	2025	Outstanding Receivable (Liability) **March 31, 2026**	December 31, 2025	Terms	Conditions
		(Amounts in millions)				
Purchases of medical services - *Colinas Verdes Hospital Managers*	**59**	72	**(11)**	(12)	30-day; noninterest-bearing	Unsecured
Revenue from pole attachment - *PLDT*	**198**	184	**908**	34	Advance payment	Unsecured, no impairment
Purchases of wireline and wireless services - *PLDT Group*	**31**	27	**(10)**	(5)	30-day; noninterest-bearing	Unsecured
Puchases of insurance premium - *MPioneer*	**386**	266	**(2)**	(7)	30-day; noninterest-bearing	Unsecured
Donations to One Meralco Foundation	**52**	44	**–**	–	None	None
Purchases of power:						
*SPPC**	**14,304**	13,195	**(11,883)**	(12,270)	30-day; noninterest-bearing	Unsecured
*EERI**	**9,036**	8,699	**(11,894)**	(13,170)	30-day; noninterest-bearing	Unsecured
SBPL	**4,888**	5,029	**(1,567)**	(1,220)	30-day; noninterest-bearing	Unsecured
Solar Philippines Tarlac	**146**	112	**(47)**	(95)	30-day; noninterest-bearing	Unsecured
NSEC	**116**	115	**(21)**	(34)	30-day; noninterest-bearing	Unsecured

**SPPC and EERI became related parties following Chromite Holdings acquisition of 67% stake in both companies in January 2025.*

Transaction with MERALCO Retirement Benefits Fund ("*Retirement Fund*")

MERALCO's Retirement *Fund* holds 6,000 common shares of *RP Energy* at par value of ₱100 per share, with total carrying amount of ₱600,000 or an equivalent 3% equity interest in *RP Energy*. The fair value of *RP Energy*'s common shares cannot be reliably measured as these are not traded in the financial market. As at March 31, 2026 and December 31, 2025, the fair value of the total assets being managed by the *Fund* amounted to ₱29.4 billion and ₱29.6 billion, respectively.

See *Note 26 – Long-Term Employee Benefits.*

Compensation of Key Management Personnel

The compensation of key management personnel of the *MERALCO Group* by benefit type is as follows:

	Unaudited	
	For the Three Months Ended March 31	
	2026	2025
	(Amounts in millions)	
Short-term employee benefits	**₱395**	₱379
Long-term employee incentives and retirement benefits	**134**	128
Total compensation to key management personnel	**₱529**	₱507

All directors are entitled to a reasonable per diem for their attendance in meetings of the *BOD* and Board Committees plus an additional compensation, provided that the total value of such additional compensation, in whatever form so given, shall not exceed one (1) percent of the income before income tax of *MERALCO* during the preceding period.

Each of the directors is entitled to a per diem of ₱140,000 for every *BOD* meeting attended. Each member of the Audit, Risk Management, Remuneration and Leadership Development, Finance, Related Party Transactions and Nomination and Governance Committees is entitled to a fee of ₱24,000 for every committee meeting attended. Also, the members of the *BOD* are entitled to a stock grant based on a pre-approved number of shares for each director which was implemented beginning May 2013 as approved by the stockholders. The directors have the option to receive the number of shares granted or the equivalent cash value. On May 27, 2025, the *MERALCO*'s stockholders approved a revised per diem rate applicable to each director for every board and board committee meeting attended. Effective June 1, 2025, each of the directors is entitled to a per diem of ₱200,000 for every *BOD* meeting attended and each member of the Audit, Risk Management, Remuneration and Leadership Development, Finance, Related Party Transactions and Nomination and Governance Committees is entitled to a fee of ₱50,000 for every committee meeting attended.

As at March 31, 2026, there are no agreements between the *MERALCO Group* and any of its key management personnel providing for benefits upon termination of employment or retirement, except with respect to benefits provided under (i) a defined benefit retirement plan, (ii) a program which aims to address capability refresh and organizational optimization requirements, and (iii) a contributory provident plan. Post-retirement benefits under the defined benefit retirement plan cover employees hired up to December 31, 2003 only. The provident plan, which is implemented on a voluntary basis, covers employees hired beginning January 1, 2004.

24. Revenues and Purchased Power

Revenues

The *MERALCO Group* disaggregates its revenue information in the same manner as it reports its segment information.

See *Note 6 – Segment Information.*

Contract Assets and Contract Liabilities

The *MERALCO Group*'s contract balances are as follows:

	Note	**March 31, 2026 (Unaudited)**	December 31, 2025 (Audited)
		(Amounts in millions)	
Contract assets:			
Unbilled receivables	*13*	**₱4,030**	₱3,983
Under-recoveries of pass-through charges - net	*11*	**11,914**	10,535
Contract liabilities:			
Non-refundable liability related to asset funded by customers		**949**	946
Over-recoveries from transmission, lifeline subsidy and *SL* charges - net		**298**	374

Income recognized from the non-refundable liability related to assets funded by customers amounted to ₱44 million and ₱40 million for the three months ended March 31, 2026 and 2025, respectively.

Purchased Power

The details of purchased power are as follows:

	Unaudited	
	For the Three Months Ended March 31	
	2026	2025
	(Amounts in millions)	
Generation costs	**₱74,584**	₱73,381
Transmission costs	**18,146**	13,046
	₱92,730	₱86,427

Purchased power costs for the captive customers are pass-through costs and are revenue-neutral to *MERALCO, Clark Electric* and *Shin Clark Power,* as *DU*s.

Generation costs include any line rentals, market fees and must-run unit charges billed by *IEMOP.*

The details of purchased power follow:

	Unaudited	
	For the Three Months Ended March 31	
	2026	2025
	(Amounts in millions)	
NGCP	**₱18,163**	₱13,059
SPPC	**14,304**	13,195
First Gas Power Corporation ("*FGPC*")	**11,994**	13,623
EERI	**9,036**	8,699
Masinloc Power Partners Co. Ltd. ("*MPPCL*")	**8,331**	4,251
GNPower Dinginin Ltd. Co. ("*GNPD*")	**6,421**	–
SBPL	**4,888**	5,029
FGP Corp. ("*FGP*")	**4,635**	6,405
San Miguel Energy Corporation ("*SMEC*")	**3,589**	3,704
Mariveles Power Generation Corporation ("*MPGC*")	**2,843**	–
San Roque Hydropower Inc. ("*SRHI*")	**2,552**	–
IEMOP	**2,007**	9,477
RE Resources, Inc. ("*RERI*")	**986**	–
First NatGas Power Corp. ("*FNPC*")	**524**	–
ACEN Corporation ("*AC Energy*")	**233**	–
Southwest Luzon Power Generation Corporation	**212**	61
Solar Philippines Tarlac Corporation ("*Solar Philippines Tarlac*")	**146**	112
Sem-Calaca Power Corporation ("*Sem-Calaca*")	**118**	157
NSEC	**116**	115
PEDC	**51**	–
QPPL	**–**	4,799
Limay Power Inc. ("*LPI*")	**–**	2,570
Therma Luzon, Inc. ("*TLI*")	**–**	346
Others	**1,581**	825
	₱92,730	₱86,427

Generation and transmission costs are net of company use amounting to ₱141 million and ₱127 million for the three months ended March 31, 2026 and 2025, respectively.

Generation and transmission costs over- or under-recoveries result from the lag in the billing and recovery of generation and transmission costs from consumers. As at December 31, 2025, the total *SL* charge over-recoveries included in "Other noncurrent liabilities" account in the consolidated statements of financial position amounted to ₱216 million.

25. **Expenses**

Salaries, Wages and Employee Benefits

	Note	**Unaudited**	
		For the Three Months Ended March 31	
		2026	2025
		(Amounts in millions)	
Salaries, wages and related employee benefits		**₱4,293**	₱4,850
Retirement benefits	*26*	**410**	454
Other post-employment benefits	*26*	**46**	39
		₱4,749	₱5,343

Depreciation and Amortization

	Note	**Unaudited**	
		For the Three Months Ended March 31	
		2026	2025
		(Amounts in millions)	
Utility plant, generation plant and others	*7*	**₱3,999**	₱3,608
Intangible assets	*10*	**362**	366
Investment properties	*9*	**1**	1
		₱4,362	₱3,975

Other Expenses

		Unaudited	
		For the Three Months Ended March 31	
	Note	**2026**	2025
		(Amounts in millions)	
Materials used	*14*	**₱829**	₱536
Rent and utilities		**392**	347
Insurance		**145**	146
Transportation and travel		**146**	120
Advertising		**84**	116
Communication	*22*	**56**	48
Others		**255**	43
		₱1,907	₱1,356

26. Long-term Employee Benefits

Liabilities for long-term employee benefits consist of the following:

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
	(Amounts in millions)	
Retirement benefits liability	**₱11,447**	₱11,002
Long-term incentives	**4,666**	4,306
Other post-employment benefits	**2,579**	2,557
	18,692	17,865
Less current portion	**4,300**	4,300
	₱14,392	₱13,565

Defined Benefit Retirement Plans

The features of the *MERALCO Group*'s defined benefit plans are discussed in *Note 4 – Material Accounting Policies, Changes and Improvements.*

Actuarial valuations are prepared annually by the respective independent actuaries engaged by *MERALCO* and its subsidiaries.

Expense recognized for defined benefit plans (included in "Salaries, wages and employee benefits" account in the consolidated statements of income)

	Unaudited	
	For the Three Months Ended March 31	
	2026	2025
	(Amounts in millions)	
Current service costs	**₱219**	₱262
Net interest costs	**166**	170
Net retirement benefits expense	**₱385**	₱432

Retirement Benefits Liability

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
	(Amounts in millions)	
Defined benefit obligation	**₱40,888**	₱40,606
Fair value of plan assets	**(29,441)**	(29,604)
Net retirement benefits liability	**₱11,447**	₱11,002

Changes in the net retirement benefits liability are as follows:

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
	(Amounts in millions)	
Retirement benefits liability at beginning of period	**₱11,002**	₱11,134
Net retirement benefits expense	**385**	1,767
Amounts recognized in *OCI*	**(4)**	(1,749)
Contributions by employer	**–**	(150)
Others	**64**	–
Net retirement benefits liability at end of period	**₱11,447**	₱11,002

Changes in the present value of the defined benefits obligation are as follows:

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
	(Amounts in millions)	
Defined benefit obligation at beginning of period	**₱40,606**	₱41,420
Interest costs	**599**	2,310
Current service costs	**219**	1,084
Benefits paid	**(596)**	(2,807)
Others	**64**	–
Actuarial losses (gains) due to:		
Changes in financial assumptions	**(4)**	(970)
Experience adjustments	**–**	(431)
Defined benefit obligation at end of period	**₱40,888**	₱40,606

Changes in the fair value of plan assets are as follows:

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
	(Amounts in millions)	
Fair value of plan assets at beginning of period	**₱29,604**	₱30,286
Interest income	**433**	1,627
Contributions by employer	**–**	150
Return on plan assets, excluding amount included in net interest on the net defined benefit obligation and interest income	**–**	348
Benefits paid	**(596)**	(2,807)
Fair value of plan assets at end of period	**₱29,441**	₱29,604

The Board of Trustees ("*BoT*") of the *Retirement Fund* is chaired by the Chairman of *MERALCO*, who is neither an executive nor a beneficiary. The other members of the *BoT* are (i) an executive member of the *BOD*; (ii) two (2) senior executives; (iii) an independent member of the *BOD*; and (iv) a member of the *BOD* who represents the largest shareholder group, none of whom are beneficiaries of the plan.

The *Retirement Fund* follows a conservative approach of investing in fixed income, money market and equity assets to diversify the portfolio in order to minimize risk while maintaining an adequate rate of return. The assets of the *Retirement Fund* are managed by four (4) local and one (1) foreign trustee banks whose common objective is to maximize the long-term expected return of plan assets. The *BoT* reviews and approves the strategic mandate of the portfolio to ensure the ability of the *Retirement Fund* to service its short-term and long-term obligations.

The major categories of plan assets are as follows:

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
		(Amount in millions)
Investments quoted in active markets:		
Government securities	**₱9,143**	₱9,336
Bonds and commercial notes	**8,806**	8,200
Marketable equity securities	**7,133**	7,338
Real property	**1,927**	1,927
Receivables	**1,705**	2,016
Cash and cash equivalents	**727**	787
Fair value of plan assets	**₱29,441**	₱29,604

Marketable equity securities, government securities, bonds and commercial notes are investments held by the trustee banks.

Other Long-term Post-employment Benefits (included as part of "Salaries, wages and employee benefits" account in the consolidated statements of income)

	Unaudited	
	For the Three Months Ended March 31	
	2026	2025
	(Amounts in millions)	
Interest costs	**₱41**	₱34
Current service costs	**5**	5
	₱46	₱39

Other Long-term Post-employment Benefits Liability

Changes in the present value of other long-term post-employment benefits liability are as follows:

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
	(Amounts in millions)	
Balance at beginning of period	**₱2,557**	₱2,255
Interest costs	**41**	133
Current service costs	**5**	18
Benefits paid	**(24)**	(161)
Actuarial losses due to change in assumptions	**–**	312
Balance at end of period	**₱2,579**	₱2,557

Actuarial Assumptions

The principal assumptions used in determining retirement benefits and other long-term post-employment benefits obligations are shown below:

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Annual discount rate	**6.00%-6.61%**	6.00%-6.61%
Future range of annual salary increases	**4.00%-10.00%**	4.00%-10.00%

Funding

MERALCO contributes to the *Retirement Fund* from time to time such amounts of money required under accepted actuarial principles to maintain the *Retirement Fund* in a sound condition, subject to the provisions of the *Plan*.

The amount of the annual contributions to the *Retirement Fund* is determined through an annual valuation report performed by an independent actuary.

The following is the maturity profile of the undiscounted benefit obligation (amounts in millions):

Less than one (1) year	₱3,759
One (1) year up to five (5) years	14,986
More than five (5) years up to 10 years	18,074
More than 10 years up to 15 years	21,928
More than 15 years up to 20 years	22,042
More than 20 years	52,254

Risk

The *Retirement Fund* is exposed to the following risks:

Credit Risk
The *Retirement Fund*'s exposure to credit risk arises from its financial assets which comprise of cash and cash equivalents, investments and receivables. The credit risk results from the possible default of the issuer of the financial instrument, with a maximum exposure equivalent to the carrying amounts of the instruments.

The credit risk is minimized by ensuring that the exposure to the various chosen financial investment structures is limited primarily to government securities and bonds or notes duly recommended by the Trust Committees of the appointed fund managers of the *Retirement Fund*.

Share Price Risk
The *Retirement Fund*'s exposure to share price risk arises from the shares of stock it holds and are traded at the *PSE*. The share price risk emanates from the volatility of the stock market.

The policy is to limit investment in shares of stock to blue chip issues or issues with good fair values or those trading at a discount to its net asset value so that in the event of a market downturn, the *Retirement Fund* may still consider to hold on to such investments until the market recovers.

By having a balanced composition of holdings in the equities portfolio, exposure to industry or sector-related risks is reduced. The mix of various equities in the portfolio reduces volatility and contributes to a more stable return over time. Equity investments are made within the parameters of the investment guidelines approved by the *BoT*. The *BoT* also meets periodically to review the investment portfolio based on financial market conditions. Share prices are also monitored regularly.

Liquidity Risk
Liquidity risk is the risk that the *Retirement Fund* is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn. Liquidity risk is being managed to ensure that adequate fixed income and cash deposits are available to service the financial obligations of the *Retirement Fund*. The schedule of the maturities of fixed income investment assets are staggered by tenure or term. Policies are established to ensure that all financial obligations are met, wherein the timing of the maturities of fixed income investments are planned and matched to the due date of various obligations. Thus, for this investment class, maturities are classified into short-, medium- and long-term. A certain percentage of the portfolio is kept as cash to manage liquidity and settle all currently maturing financial obligations.

Defined Contribution Provident Plan

MERALCO has a defined contributory Provident Plan effective January 1, 2009, intended to be a supplemental retirement benefit for employees hired beginning 2004, the participation of which is voluntary. Each qualified employee-member who chooses to participate in the plan shall have the option to contribute up to a maximum of 25% of his base salary. *MERALCO* shall match the member's contribution up to 100% of employee's contribution or 10% of the member's monthly base salary, subject to a certain threshold. Upon resignation, the member shall be entitled to the total amount credited to his personal retirement account immediately preceding his actual retirement date, subject to provisions of the Provident Plan. *MERALCO*'s contribution to the Provident Plan amounted to ₱25 million and ₱22 million for the three months ended March 31, 2026 and 2025, respectively.

Consolidated Retirement Benefits Cost (included in "Salaries, wages and employee benefits" account in the consolidated statements of income)

	Unaudited	
	For the Three Months Ended March 31	
	2026	2025
	(Amounts in millions)	
Expense recognized for defined benefit plans	**₱385**	₱432
Expense recognized for defined contribution plan	**25**	22
Retirement benefits expense	**₱410**	₱454

Long-term Incentive Plan ("*LTIP*")

MERALCO's *LTIP* covers qualified employees and is based on *MERALCO Group*'s achievement of specified metrics approved by the *BOD* and determined on an aggregate basis for a three (3)-year period as well as employees' attainment of a minimum level of performance rating. Employees invited to *LTIP* must serve a minimum uninterrupted period to be entitled to an award. Further, the employee should be on active employment at the time of pay-out.

27. Financial Assets and Financial Liabilities

Financial assets consist of cash and cash equivalents, short-term investments and trade and other receivables, which are generated directly from operations, advance payments to a supplier, financial assets at *FVOCI* and debt securities at amortized cost. The principal financial liabilities consist of bank loans, redeemable preferred shares, trade and nontrade payables, which are incurred to finance operations in the normal course of business. Accounting policies related to financial assets and financial liabilities are set out in *Note 4 – Material Accounting Policies, Changes and Improvements*.

The following table sets forth the financial assets and financial liabilities:

	Financial Assets at Amortized Cost	*FVOCI* Financial Assets	Liabilities Carried at Amortized Cost	Total Financial Assets and Liabilities
		(Amounts in millions)		
Assets as at March 31, 2026				
Noncurrent				
Other noncurrent assets	**₱1,068**	**₱3,180**	**₱–**	**₱4,248**
Current				
Cash and cash equivalents	**112,896**	**–**	**–**	**112,896**
Trade and other receivables	**61,132**	**–**	**–**	**61,132**
Other current assets	**172**	**1,478**	**–**	**1,650**
Total Financial Assets	**₱175,268**	**₱4,658**	**₱–**	**₱179,926**
Liabilities as at March 31, 2026				
Noncurrent				
Interest-bearing long-term financial liabilities - net of current portion	**₱–**	**₱–**	**₱202,668**	**₱202,668**
Customers' deposits - net of current portion	**–**	**–**	**39,901**	**39,901**
Refundable service extension costs - net of current portion	**–**	**–**	**3,356**	**3,356**
Current				
Notes payable	**–**	**–**	**29,015**	**29,015**
Trade payables and other current liabilities	**–**	**–**	**129,542**	**129,542**
Customers' refund	**–**	**–**	**2,850**	**2,850**
Current portion of interest-bearing long-term financial liabilities	**–**	**–**	**6,457**	**6,457**
Total Financial Liabilities	**₱–**	**₱–**	**₱413,789**	**₱413,789**

	Financial Assets at Amortized Cost	*FVOCI* Financial Assets	Liabilities Carried at Amortized Cost	Total Financial Assets and Liabilities
		(Amounts in millions)		
Assets as at December 31, 2025				
Noncurrent				
Other noncurrent assets	₱1,088	₱3,231	₱–	₱4,319
Current				
Cash and cash equivalents	109,317	–	–	109,317
Trade and other receivables	68,606	–	–	68,606
Other current assets	140	524	–	664
Total Financial Assets	₱179,151	₱3,755	₱–	₱182,906
Liabilities as at December 31, 2025				
Noncurrent				
Interest-bearing long-term financial liabilities - net of current portion	₱–	₱–	₱186,531	₱186,531
Customers' deposits - net of current portion	–	–	39,206	39,206
Refundable service extension costs - net of current portion	–	–	3,371	3,371
Current				
Notes payable	–	–	36,367	36,367
Trade payables and other current liabilities	–	–	122,492	122,492
Customers' refund	–	–	2,851	2,851
Current portion of interest-bearing long-term financial liabilities	–	–	7,148	7,148
Total Financial Liabilities	₱–	₱–	₱397,966	₱397,966

Fair Values

The fair values of the financial assets and financial liabilities are amounts that would be received to sell the financial assets or paid to transfer the financial liabilities in orderly transactions between market participants at the measurement date. Set out below is a comparison of carrying amounts and fair values of the *MERALCO Group*'s financial instruments:

	March 31, 2026 (Unaudited)		December 31, 2025 (Audited)	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(Amounts in millions)		
Financial assets				
Financial assets at *FVOCI*	**₱3,180**	**₱3,180**	₱3,231	₱3,231
Derivative assets	**1,478**	**1,478**	524	524
Debt securities at amortized cost	**1,089**	**1,086**	1,088	1,088
Short-term investments	**151**	**151**	140	140
	₱5,898	**₱5,895**	₱4,983	₱4,983
Financial liabilities				
Financial liabilities carried at amortized cost - Interest-bearing-long-term financial liabilities	**₱207,670**	**₱207,004**	₱192,220	₱196,407

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value.

Cash and Cash Equivalents, Trade and Other Receivables, Short-term Investments, Trade Payables and Other Current Liabilities and Notes Payable

Due to the short-term nature of transactions, the fair values of these instruments approximate their carrying amounts as at reporting date.

Financial Assets at FVOCI

The fair values were determined by reference to market bid quotes as at reporting date.

Debt Securities at Amortized Cost

The fair values were determined by discounting the expected future cash flows using the interest rate as at reporting date.

Meter Deposits and Customers' Refund

Meter deposits and customers' refund are due and demandable. Thus, the fair values of these instruments approximate their carrying amounts.

Bill Deposits

The carrying amounts of bill deposits approximate their fair values as bill deposits are interest-bearing.

Interest-bearing Long-term Financial Liabilities

The fair values of interest-bearing long-term debt (except for redeemable preferred stock) were computed by discounting the instruments' expected future cash flows using the rates ranging from 4.70% to 8.29% and 4.93% to 6.15% as at March 31, 2026 and December 31, 2025, respectively.

Redeemable Preferred Stock

The carrying amount of the preferred stock represents the fair value. Such preferred shares have been called and are payable anytime upon presentation by the shareholder of their certification. This is included under "Interest-bearing long-term financial liabilities" account.

Refundable Service Extension Costs

The fair values of refundable service extension costs cannot be reliably measured since the timing of related cash flows cannot be reasonably estimated and are accordingly measured at cost.

Fair Value Hierarchy

Below is the list of financial assets and financial liabilities that are classified using the fair value hierarchy:

	March 31, 2026 (Unaudited)				December 31, 2025 (Audited)			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
				(Amounts in millions)				
Financial assets								
Financial assets at *FVOCI*	**₱3,180**	**₱–**	**₱–**	**₱3,180**	₱3,231	₱–	₱–	₱3,231
Derivative assets	**–**	**–**	**1,478**	**1,478**	–	–	524	524
Debt securities at amortized cost	**1,086**	**–**	**–**	**1,086**	1,088	–	–	1,088
Short-term investments	**–**	**–**	**151**	**151**	–	–	140	140
	₱4,266	**₱–**	**₱1,629**	**₱5,895**	₱4,319	₱–	₱664	₱4,983
Financial liabilities								
Interest-bearing long-term financial liabilities	**₱–**	**₱207,004**	**₱–**	**₱207,004**	₱–	₱196,407	₱–	₱196,407

For the three months ended March 31, 2026 and 2025, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Financial Risk Management Objectives and Policies

The main risks arising from the financial instruments are interest rate risk, foreign currency risk, commodity price risk, credit risk, and liquidity risk. The importance of managing these risks has significantly increased in light of the considerable change and volatility in the Philippine and international financial markets. The *BOD* reviews and approves policies for managing each of these risks. Management monitors the market price risk arising from all financial instruments. The policies for managing these risks are as follows:

Interest Rate Risk

The *MERALCO Group's* exposure to the changes in market interest rates relate to changes of fair value of its long-term financial assets and to the fluctuation of future cash flows in relation to its long-term interest-bearing financial liabilities.

MERALCO's policy is to manage its interest rate risk exposure using a mix of fixed and variable rate debts. The strategy, which yields a reasonably lower effective cost based on market conditions, is adopted. Refinancing of fixed rate loans may also be undertaken to manage interest cost.

The exposure of *MERALCO* and its subsidiaries to the risk of changes in market interest rate relates primarily to its long-term debt obligations with variable interest rates. *MERALCO* and its subsidiaries' loans which bear fixed interest rates are subject to repricing after a minimum of quarterly for *PEDC*, one (1) year for *MERALCO* and *Radius*, three (3) years for *PHRI*, *GSEI* and *Greenergy*, five (5) years for *GBPC*, *MTerra Solar* and *Solar Philippines Calatagan*, seven (7) years for *CEDC* and ten (10) years for *First Bulacan*.

The following table sets out the maturity profile of the financial instruments that are exposed to interest rate risk (exclusive of debt issuance costs):

	Within 1 Year	Over 1–2 Years	Over 2–3 Years	Over 3–4 Years	Over 4–5 Years	More than 5 Years	Total
			(Amounts in millions)				
March 31, 2026 (Unaudited)	**₱2,986**	**₱3,220**	**₱3,220**	**₱3,220**	**₱6,220**	**₱97,670**	**₱116,536**
December 31, 2025 (Audited)	3,057	3,291	3,291	3,256	3,151	95,183	111,229

Floating interest rate of bank loans is repriced at intervals of less than one year. The other financial liabilities of the *MERALCO Group* that are not included in the foregoing have fixed interest rate and are therefore not subject to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates of floating rate loans from various banks, with all other variables held constant, of the *MERALCO Group*'s income before income tax for the three months ended March 31, 2026 and 2025 through the impact on floating rate borrowings. There is no other impact on the *MERALCO Group*'s equity other than those already affecting the consolidated statement of income.

2026		2025	
Increase (Decrease) in Basis Points	**Effect on Income before Income Tax**	Increase (Decrease) in Basis Points	Effect on Income before Income Tax
	(Amounts in millions)		
+75	**(₱219)**	+75	(₱177)
(75)	**219**	(75)	177

Interest expense of floating rate loans for the period is computed by taking into account actual principal movements, based on management's best estimate of a +/-75 basis points change in interest rates. There has been no change in the methods and assumptions used by management in the above analysis.

Foreign Currency Risk

The revaluation of any of foreign currency-denominated financial assets and financial liabilities as a result of the appreciation or depreciation of the Philippine peso is recognized as foreign exchange gains or losses as at the end of each reporting period. The extent of foreign exchange gains or losses is largely dependent on the amount of foreign currency-denominated financial instruments. While an insignificant percentage of the *MERALCO Group*'s revenues and liabilities is denominated in *U.S.* dollars, a substantial amount of the *MERALCO Group*'s expenditures for electricity capital projects and a portion of the operating expenses are denominated in foreign currencies, mostly in *U.S.* dollars. As such, a strengthening or weakening of the Philippine peso against the *U.S.* dollar will decrease or increase in Philippine peso terms, the principal amount of the *MERALCO Group*'s foreign currency-denominated liabilities and the related interest expense, foreign currency-denominated capital expenditures and operating expenses.

The following table shows the consolidated foreign currency-denominated financial assets and financial liabilities as at March 31, 2026 and December 31, 2025 and 2024, translated to Philippine peso at ₱60.75 and ₱58.79 to US$1, respectively.

	March 31, 2026 (Unaudited)		December 31, 2025 (Audited)	
	U.S. Dollar	**Peso Equivalent**	U.S. Dollar	Peso Equivalent
		(Amounts in millions)		
Financial assets:				
Cash and cash equivalents	**$211**	**₱12,789**	$331	₱19,452
Financial assets at *FVOCI*	**4**	**241**	4	251
Short-term investments	**12**	**734**	27	1,603
	227	**13,764**	362	21,306
Financial liabilities:				
Trade payables and other liabilities	**(7)**	**(406)**	(5)	(298)
	$220	**₱13,358**	$357	₱21,008

All of the *MERALCO Group*'s long-term financial liabilities are denominated in Philippine peso and an insignificant portion of its trade payables are denominated in *U.S.* dollar.

The following table demonstrates the sensitivity to a reasonably possible change in the *U.S.* dollar exchange rate vis-a-vis the Philippine peso, with all other variables held constant, of the *MERALCO Group*'s income before income tax for the three months ended March 31, 2026 and 2025 due to changes in the fair value of financial assets and financial liabilities. There is no other impact on the *MERALCO Group*'s equity other than those already affecting the consolidated statements of income.

2026		2025	
Appreciation (Depreciation) of U.S. Dollar	**Effect on Income before Income Tax**	Appreciation (Depreciation) of U.S. Dollar	Effect on Income before Income Tax
(In %)	*(In millions)*	*(In %)*	*(In millions)*
+5	**₱167**	+5	₱167
–5	**(167)**	–5	(167)

Foreign exchange gain or loss for the period is computed based on management's best estimate of a +/–5 percent change in the closing Philippine peso to *U.S.* dollar conversion rate using the balances as at financial reporting date of *U.S.* dollar-denominated cash and cash equivalents, receivables and other assets and liabilities. There has been no change in the methods and assumptions used by management in the above analysis.

Derivative Financial Instruments and Hedging Activities

MERALCO uses derivative financial instruments to manage exposure to foreign currency risk arising from forecasted investment denominated and payable in *U.S.* dollar. The objective of the hedge is to reduce volatility in cash flows associated with foreign exchange fluctuations.

To achieve this objective, *MERALCO* has designated forward foreign exchange contracts as cash flow hedges for its forecasted foreign currency denominated investments over the next 12 months. The hedging relationships are expected to be highly effective in offsetting changes in cash flows attributable to currency fluctuations.

In 2024, *MERALCO* entered into forward contracts to hedge 100% of its forecasted *U.S.* dollar investment payable upon closing of such forecasted transaction. The total notional value of these hedging instruments amounted to $1.03 billion, with maturities dated January 21 to 24, 2025.

The foreign exchange risk arising from these transactions was designated as the hedged risk.

Hedge effectiveness was assessed using the dollar-offset method. The hedge was highly effective, with no significant hedge ineffectiveness recognized.

When the forecasted transactions occured, the related hedge reserve amounts were reclassified from *OCI* to investment.

Prior to the closing of the investment transaction in *Chromite Holdings* in 2025, *MERALCO*'s outstanding hedging instruments amounted to $1.187 billion. In January 2025, the forecasted investment was realized and *MERALCO* infused $1.187 billion into *MGen* as settlement for its share in the investment in *Chromite Holdings*. The hedging reserve was reclassified from *OCI* account to investment account at ₱1,717 million.

Commodity Price Risk

Commodity price risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in world prices or index of the commodity. The exposure of *MERALCO* and *Clark Electric* to price risk is minimal. The cost of fuel is part of *MERALCO*'s and *Clark Electric*'s generation costs that are recoverable through the generation charge in the billings to captive customers. On the other hand, *RES* and power generation business segments face risk due to fuel price fluctuations.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The *MERALCO Group* is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Trade and Other Receivables and Contract Assets

MERALCO as a franchise holder serving public interest cannot refuse customer connection. To mitigate risk, the *DSOAR* allows *MERALCO* to collect bill deposit equivalent to one (1) month's consumption to secure credit. Also, as a policy, disconnection notices are sent three (3) days after the bill due date and disconnections are carried out beginning on the third day after receipt of disconnection notice.

Customer credit risk is managed by each business segment subject to *MERALCO Group*'s procedures and controls relating to customer credit risk management. The *MERALCO Group* manages and controls credit risk by setting limits on the amount of risk that it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are grouped according to contract status (e.g. active, terminated, etc.). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the *MERALCO* customer segment's historical observed default rates. Each business segment of the *MERALCO* calibrates the matrix to adjust the historical credit loss experience with forward-looking information.

At every reporting date, historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assumptions used in determining the historical default rates, and forecast of economic conditions to *MERALCO* customers and *ECL*s involved significant estimation. The amount of *ECL*s is sensitive to changes in circumstances and forecast of economic conditions. The historical credit loss experience, expected deferred payment arrangements, expected default upon resumption of service disconnection activities and forecast of economic conditions may also not be representative of customers' actual default in the future.

The subsidiaries of *MERALCO* trade only with recognized, creditworthy third parties. It is the *MERALCO Group*'s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables are monitored on an ongoing basis to reduce exposure to bad debt.

GBPC and its subsidiaries applied the simplified approach under *PFRS 9*, using a 'provision matrix', in measuring expected credit losses which uses a lifetime expected loss allowance for receivables. The expected loss rates are based on the payment profiles of revenues/sales over a period of at least 24 months before the relevant reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers/counterparties to settle the receivables. *GBPC* and its subsidiaries have identified the gross domestic product ("*GDP*") and consumer price index ("*CPI*") to be the most relevant factors, and accordingly adjust the historical loss rates based on expected changes in these factors.

No impairment losses resulted from performing collective impairment test, due to the past experience of *GBPC* and its subsidiaries of realizing receivables within the credit period which help reduce the credit risk exposure in case of default by the customers.

Financial Instruments and Cash and Cash Equivalents

With respect to placements of cash with financial institutions, these institutions are subject to the *MERALCO Group*'s accreditation evaluation based on liquidity and solvency ratios and on the bank's credit rating. The *MERALCO Group* transacts derivatives only with similarly accredited financial institutions. In addition, the *MERALCO Group'*s deposit accounts in banks are insured by the Philippine Deposit Insurance Corporation up to ₱1,000,000 per depositor, per bank.

The *MERALCO Group* invests only in quoted debt securities with very low credit risk. The *MERALCO Group*'s debt instruments at *FVOCI* comprised solely of quoted bonds that are graded in the top investment category (Very Good and Good) by credit rating agencies and therefore, are considered to be low credit risk investments.

Finally, credit quality review procedures are in place to provide regular identification of changes in the creditworthiness of counterparties. Counterparty limits are established and reviewed periodically based on latest available financial information of counterparties, credit ratings and liquidity. The *MERALCO Group*'s credit quality review process allows it to assess any potential loss as a result of the risks to which it may be exposed and to take corrective actions.

MERALCO, Clark Electric and *Shin Clark Power,* as *DU*s, requires their captive customers to pay bill deposit equivalent to their estimated monthly bill. Such deposit is updated annually based on the historical 12-month average bill. The bill deposits serve to guarantee payment of bills by a customer.

The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position. The maximum exposure is equivalent to the nominal amount of the accounts.

	Gross Maximum Exposure	
	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
	(Amounts in millions)	
Cash and cash equivalents:		
Cash in banks	**₱33,083**	₱41,003
Cash equivalents	**79,461**	68,025
Trade and other receivables:		
Electricity sold	**35,314**	39,182
Energy generated	**4,907**	5,416
Service contracts	**8,542**	9,868
Subscription receivable	**9,109**	12,109
Nontrade receivables	**3,260**	2,031
Other current financial assets:		
Derivative asset	**1,478**	524
Short-term investments	**151**	140
Debt securities at amortized cost	**21**	–
Other noncurrent financial assets:		
Financial assets at *FVOCI*	**3,180**	3,231
Debt securities at amortized cost	**1,068**	1,088
	₱179,574	₱182,617

The credit quality of financial assets is managed by *MERALCO* using "High Grade", "Standard Grade" and "Sub-standard Grade" for accounts, which are neither impaired nor past due using internal credit rating policies.

The following tables show the credit quality by asset class:

	March 31, 2026 (Unaudited)					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Sub-standard Grade	Past Due but not Impaired	Impaired Financial Assets	Total
	(Amounts in millions)					
Cash in banks and cash equivalents	₱112,544	₱–	₱–	₱–	₱–	₱112,544
Trade and other receivables:						
Electricity sold	7,698	3,450	15,209	8,957	6,847	42,161
Service contracts	6,928	–	–	1,614	1,050	9,592
Energy generated	4,907	–	–	–	1,301	6,208
Subscription receivable	9,109	–	–	–	–	9,109
Nontrade receivables	2,970	272	–	18	421	3,681
Other current assets:						
Derivative asset	1,478	–	–	–	–	1,478
Short-term investments	151	–	–	–	–	151
Debt securities at amortized cost	21	–	–	–	–	21
Other noncurrent assets:						
Financial assets at *FVOCI*	3,180	–	–	–	–	3,180
Debt securities at amortized cost	1,068	–	–	–	–	1,068
	₱150,054	₱3,722	₱15,209	₱10,589	₱9,619	₱189,193

	December 31, 2025 (Audited)					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Sub-standard Grade	Past Due but not Impaired	Impaired Financial Assets	Total
	(Amounts in millions)					
Cash in banks and cash equivalents	₱109,028	₱–	₱–	₱–	₱–	₱109,028
Trade and other receivables:						
Electricity sold	6,281	3,868	16,755	12,278	6,848	46,030
Service contracts	6,518	–	–	3,350	1,087	10,955
Energy generated	5,416	–	–	–	1,301	6,717
Subscription receivable	12,109	–	–	–	–	12,109
Nontrade receivables	1,734	272	–	25	410	2,441
Other current assets:						
Derivative asset	524	–	–	–	–	524
Short-term investments	140	–	–	–	–	140
Other noncurrent assets:						
Financial assets at *FVOCI*	3,231	–	–	–	–	3,231
Debt securities at amortized cost	1,088	–	–	–	–	1,088
	₱146,069	₱4,140	₱16,755	₱15,653	₱9,646	₱192,263

Credit ratings are determined as follows:

- High Grade

  High grade financial assets include cash in banks, cash equivalents, short-term investments, debt securities at amortized cost investments, *FVOCI* financial assets and advance payments to a supplier transacted with counterparties of good credit rating or bank standing. Consequently, credit risk is minimal. These counterparties include large prime financial institutions, large industrial companies and commercial establishments, and government agencies. For trade

receivables, these consist of current month's billings (less than 30 days) that are expected to be collected within 10 days from the time bills are delivered.

- Standard Grade

  Standard grade financial assets include trade receivables that consist of current month's billings (less than 30 days) that are expected to be collected before due date (10 to 14 days after bill date).

- Sub-standard Grade

  Sub-standard grade financial assets include trade receivables that consist of current month's billings, which are not expected to be collected within 60 days.

Liquidity Risk

Liquidity risk is the risk that the *MERALCO Group* will be unable to meet its payment obligations when these fall due. The *MERALCO Group* manages this risk through monitoring of cash flows in consideration of future payment of obligations and the collection of its trade receivables. The *MERALCO Group* also ensures that there are sufficient, available and approved working capital lines that it can draw from at any time.

The *MERALCO Group* maintains an adequate amount of cash, cash equivalents and *FVOCI* financial assets, which may be readily converted to cash in any unforeseen interruption of its cash collections. The *MERALCO Group* also maintains accounts with several relationship banks to avoid significant concentration of funds with one (1) institution.

The following table sets out the maturity profile of the financial liabilities and contract liabilities based on contractual undiscounted payments plus future interest:

	March 31, 2026 (Unaudited)				
	Less than 3 Months	**Over 3–12 Months**	**Over 1–5 Years**	**More than 5 Years**	**Total**
	(Amounts in millions)				
Notes payable	**₱7,587**	**₱22,618**	**₱–**	**₱–**	**₱30,205**
Trade payables and other current liabilities	**125,717**	**–**	**–**	**–**	**125,717**
Customers' refund	**2,850**	**–**	**–**	**–**	**2,850**
Interest-bearing long-term financial liabilities:					
Fixed rate borrowings	**2,283**	**6,074**	**40,832**	**101,534**	**150,723**
Floating rate borrowings	**2,601**	**6,969**	**39,578**	**118,493**	**167,641**
Redeemable preferred stock	**1,455**	**–**	**–**	**–**	**1,455**
Customers' deposits	**371**	**2,444**	**8,681**	**31,220**	**42,716**
Refundable service extension costs	**345**	**665**	**3,304**	**52**	**4,366**
Non-refundable liability related to asset funded by customers	**127**	**127**	**127**	**568**	**949**
Total undiscounted financial liabilities	**₱143,336**	**₱38,897**	**₱92,522**	**₱251,867**	**₱526,622**

	December 31, 2025 (Audited)				
	Less than 3 Months	Over 3–12 Months	Over 1–5 Years	More than 5 Years	Total
	(Amounts in millions)				
Notes payable	₱9,674	₱26,728	₱–	₱–	₱36,402
Trade payables and other current liabilities	118,675	–	–	–	118,675
Customers' refund	2,851	–	–	–	2,851
Interest-bearing long-term financial liabilities:					
Fixed rate borrowings	437	2,509	17,585	62,995	83,526
Floating rate borrowings	2,604	6,944	37,287	117,611	164,446
Redeemable preferred stock	1,459	–	–	–	1,459
Customers' deposits	1,298	1,502	8,518	30,688	42,006
Refundable service extension costs	345	672	3,303	68	4,388
Non-refundable liability related to asset funded by customers	127	127	127	565	946
Total undiscounted financial liabilities	₱137,470	₱38,482	₱66,820	₱211,927	₱454,699

The maturity profile of bill deposits is not determinable since the timing of each refund is linked to the cessation of service, which is not reasonably predictable. However, *MERALCO* estimates that the amount of bill deposits (including related interests) of ₱2,497 million will be refunded within a year. This is shown as part of "Trade payables and other current liabilities" account in the consolidated statement of financial position as at March 31, 2026.

Capital Management

The primary objective of the *MERALCO Group*'s capital management is to enhance shareholder value. The capital structure is reviewed with the end view of achieving a competitive cost of capital and at the same time ensuring that returns on capital expenditure are consistent with the levels approved by its regulators for its core distribution business.

The capital structure optimization plan is complemented by efforts to improve capital efficiency to increase yields on invested capital. This entails efforts to improve the efficiency of capital assets, working capital and non-core assets.

The *MERALCO Group* monitors capital using, among other measures, debt to equity ratio, which is gross debt divided by equity attributable to equity holders of the parent company. The *MERALCO Group* considers long-term debt, redeemable preferred stock and notes payable as debt.

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
	(Amounts in millions, except debt to equity ratio)	
Long-term debt	**₱207,670**	₱192,220
Notes payable	**29,015**	36,367
Redeemable preferred stock	**1,455**	1,459
Debt (a)	**₱238,140**	₱230,046
Equity attributable to equity holders of the parent company (b)	**₱166,345**	₱173,137
Debt to equity ratio(a)/(b)	**1.43**	1.33

28. Income Taxes and Local Franchise Taxes

Income Taxes

The components of net deferred income tax assets and liabilities are as follows:

	Note	**March 31, 2026 (Unaudited)**	December 31, 2025 (Audited)
		(Amounts in millions)	
Deferred income tax assets:			
Provisions for probable losses and expenses from claims	*19 and 22*	**₱26,194**	₱25,670
Unfunded retirement benefits cost and unamortized past service cost	*26*	**3,396**	3,301
Allowance for expected credit losses	*13*	**1,708**	1,708
Accrued employee benefits	*26*	**1,638**	1,604
Decommissioning liability		**101**	100
Others		**1,537**	1,514
		34,574	33,897
Deferred income tax liabilities:			
Revaluation increment in utility plant and others	*7,9 and 16*	**8,022**	8,043
Fair value of net assets from acquisitions	*3*	**6,218**	6,297
Capitalized interest		**1,093**	1,054
Actuarial gains	*26*	**555**	555
Capitalized duties and taxes deducted in advance		**289**	297
Others		**454**	377
		16,631	16,623
		₱17,943	₱17,274

The deferred income tax assets and liabilities are presented in the consolidated statements of financial position as follows:

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
	(Amounts in millions)	
Deferred income tax assets – net	**₱26,396**	₱25,706
Deferred income tax liabilities – net	**(8,453)**	(8,432)
	₱17,943	₱17,274

Provision for (benefit from) income tax consists of:

	Unaudited	
	For the Three Months Ended March 31	
	2026	2025
	(Amounts in millions)	
Current	**₱2,637**	₱2,822
Deferred	**(759)**	(902)
	₱1,878	₱1,920

Deferred income tax charged directly to *OCI* amounted to ₱2 million and ₱20 million for the three months ended March 31, 2026 and 2025, respectively.

A reconciliation between the provision for income tax computed at statutory income tax rates of 25%, for the three months ended March 31, 2026 and 2025, and provision for income tax as shown in the consolidated statements of income is as follows:

	Unaudited	
	For the Three Months Ended March 31	
	2026	2025
	(Amounts in millions)	
Income tax computed at statutory tax rate	**₱3,261**	₱3,217
Income tax effects of:		
Interest income subjected to lower final tax rate	**(188)**	(377)
Nondeductible interest expense	**109**	94
Nontaxable income	**(466)**	(20)
Equity in net earnings of associates and joint ventures	**(1,223)**	(829)
Difference in calculation of tax deductible costs and expenses	**(25)**	(1,568)
Unrecognized deferred tax assets	**59**	1,166
Others	**351**	237
	₱1,878	₱1,920

Certain deferred tax assets and liabilities expected to be recovered or settled in subsequent taxable periods, for which the related income and expense were not considered in determining gross income for income tax purposes, were not recognized. This is because the manner by which *MERALCO* expects to recover or settle the underlying assets and liabilities would not result in any future tax consequence under the current method of computing taxable income.

MERALCO's net deferred tax assets which were not recognized as at March 31, 2026 and December 31, 2025 are as follows:

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
	(Amounts in millions)	
Deferred tax assets:		
Allowance for impairment losses	**₱4,080**	₱4,092
Net operating loss carryover ("*NOLCO*")	**1,132**	1,896
Provisions for various claims	**537**	452
Unfunded retirement benefits cost and unamortized past service cost	**91**	142
Decommisioning liability	**55**	112
Others	**44**	75
	₱5,939	₱6,769

The temporary differences for which deferred tax assets have not been recognized pertain to the tax effect of *NOLCO* of *MGen* amounting to ₱9,014 million and ₱10,164 million as at March 31, 2026 and December 31, 2025, respectively. These are not recognized because *MGen* does not expect to utilize such deferred tax assets against sufficient taxable profit in the future.

NOLCO totaling to ₱9,014 million may be claimed as deduction against taxable income as follows:

Date Incurred	Expiry Date	Amount
		(In millions)
December 31, 2021	December 31, 2026	₱2,037
December 31, 2023	December 31, 2026	1,859
December 31, 2024	December 31, 2027	1,990
December 31, 2025	December 31, 2028	2,679
March 31, 2026	March 31, 2029	449
		₱9,014

NOLCO amounting to ₱3,257 million expired in 2025.

On September 30, 2020, the *BIR* issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the *NOLCO* incurred for taxable years 2020 and 2021 may be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the period of such loss.

LFT

Consistent with the decisions of the *ERC*, *LFT* is a recoverable charge of the *DU* from the particular province or city imposing and collecting the *LFT*. It is presented as a separate line item in the customer's bill and computed as a percentage of the sum of generation, transmission, distribution services and related *SL* charges.

The Implementing Rules and Regulations ("*IRR*") issued by the *ERC* provide that *LFT* shall be paid only on its distribution wheeling and captive market supply revenues. Pending the promulgation of

guidelines from the relevant government agencies, *MERALCO* is paying *LFT* based on the sum of generation, transmission, distribution services and related *SL* charges in the customers' bill.

In *ERC* Resolution No. 2, Series of 2021, or the Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes) of *DU*s, the *ERC* amended and modified the rules with respect to the recovery of any *LFT*, including the filing of applications for recovery.

29. Contingencies and Legal Proceedings

Overpayment of Income Tax related to SC Refund

After several rounds of motions and appeals in the Court of Tax Appeals ("*CTA*"), the *CTA En Banc* on May 22, 2013 denied the motions of the *BIR* and *MERALCO*, and ordered the *CTA* Second Division to receive evidence and rebuttal evidence relating to *MERALCO*'s level of refund to customers, pertaining to the excess charges it made in taxable years 1994 - 1998, and 2000, corresponding to the amount of ₱5,796 million, as already determined by the said court.

The *BIR* appealed the *CTA* en Banc's Amended Decision on July 12, 2012 via a Petition for Review with the *SC*.

On October 2, 2024, the *SC* 2nd Division issued a Resolution granting the *BIR*'s appeal, which reversed and set aside the *CTA En Banc*'s Amended Decision and reinstated the May 8, 2012 Decision of the *CTA En Banc*. On December 20, 2024, *MERALCO* filed an Omnibus Motion with the *SC* for reconsideration of the said Resolution. As at May 4, 2026, the Omnibus Motion is pending resolution by the *SC*.

LFT Assessments of Municipalities

Certain municipalities have served assessment notices on *MERALCO* for *LFT*. As provided in the Local Government Code ("*LGC*"), only cities and provincial governments may impose *LFT* on establishments doing business in their localities. On the basis of the foregoing, *MERALCO* and its legal counsel believe that *MERALCO* is not subject or liable for such assessments.

RPT Assessments

On October 22, 2015, the *SC* ruled on an appeal of *MERALCO* declaring, among others, that the transformers, electric posts, transmission lines, insulators and electric meters are not exempted from *RPT* under the *LGC*. Thereafter, *MERALCO* began the process of settlement with the affected *LGU*s and filed for the recovery of the resulting *RPT* payments with the *ERC*.

Acting on petitions filed by *PEPOA* and *PHILRECA*, the *ERC* issued Resolution No. 2, Series of 2021, "Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes", approving the recovery of *RPT*, *LFT* and Business Taxes as pass-through charges and therefore excluded among the financial building blocks in the annual revenue requirement of *PBR*.

On March 26, 2026, following the petition filed by *PEPOA* seeking to amend the provisions of the foregoing resolution, the *ERC* issued Resolution No. 9, Series of 2026 providing for the "Revised Rules on Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes) of Distribution Utilities" allowing full recovery, as pass-through costs, the arrearages, excluding interests, penalties and other charges, imposed on the paid by *DU*s for the years prior to the effectivity of said rules.

See Note 19 – Provisions.

Mediation with NPC

On November 21, 1994, *MERALCO* entered into a 10-year Contract for Sale of Electricity ("*CSE*") with *NPC* beginning January 1, 1995, as required by the *DOE* to address the concerns of the then creditors of *NPC*, following a crippling power supply crisis.

The *CSE,* rates and amounts charged to *MERALCO* were approved by the *BOD* of *NPC* and the then Energy Regulatory Board, respectively.

Separately, the *DOE* also required *MERALCO* to provide market for half of the output of the Camago-Malampaya gas field to allow the Government to generate revenues and foreign exchange savings to the extent of the fuel imports which shall be displaced.

In the early years of *CSE*, *MERALCO*'s total purchases from *NPC* exceeded the contract level. However, following the Asian crisis in 1997, a decline in energy demand occurred. A dispute ensued with a Settlement Agreement signed between *NPC* and *MERALCO* on July 15, 2003 which was filed with the *ERC* for approval. After the validity of the Settlement Agreement was questioned by the Office of the Solicitor General, the matter was elevated to the *RTC* under a petition for declaratory relief. The *RTC* Decision declaring the Settlement Agreement valid and binding, except for the pass-through provision which remains under the *ERC*'s jurisdiction, was affirmed by both the *CA* and *SC*.

In a Resolution dated September 28, 2022, the *SC* denied the Petition filed by the *OSG* and affirmed the validity of the *SA*. The *OSG* filed a Motion for Reconsideration. The *SC*, through a resolution dated April 3, 2024 denied the *OSG*'s motion. With this, the Resolution has attained finality and entry of judgment had been issued.

As at May 4, 2026, *MERALCO* is awaiting further action of the *ERC* on this matter.

Sucat-Araneta-Balintawak Transmission Line

The Sucat-Araneta-Balintawak transmission line, a two (2)-part 230 kV line in Metro Manila, includes the Araneta to Balintawak and the Sucat to Araneta legs, passing through Dasmariñas Village, Makati City.

On March 10, 2000, certain residents along Tamarind Road, Dasmariñas Village, filed a case against *NPC* with the *RTC-Makati* to stop the installation and energization of high voltage cables near their homes due to alleged health risks from the electromagnetic field emitted by said lines. The *RTC-Makati* granted a preliminary injunction on April 3, 2000, which was affirmed by the *SC* on March 23, 2006. *MERALCO* intervened, citing the significant impact of de-energization of the Sucat-Araneta line to the public and economy, and the shutdown of the 230 *kV* line will result in widespread and rotating brownouts within *MERALCO*'s franchise area with certain power plants unable to run at their full capacities.

On September 8, 2009, the *RTC-Makati* allowed *MERALCO* and *NGCP* to intervene and dissolved the injunction, subject to the posting of a bond to cover potential damages.

The case remains pending, and is still at the pre-trial stage, with disputes over expert depositions. As at May 4, 2026, *MERALCO* is awaiting further action from the *SC* on the matter.

Petition for Dispute Resolution against Philippine Electricity Market Corporation ("*PEMC*"), *TransCo*, *NPC* and *PSALM*

A Petition for Dispute Resolution was filed by *MERALCO* against *PEMC*, *TransCo*, *NPC* and *PSALM,* as a result of the congestion in the transmission system of *TransCo* arising from the outages of the San Jose-Tayabas 500 *kV* Line 2 on June 22, 2008, and the 500 *kV* 600 Mega Volt-Ampere Transformer Bank No. 2 of *TransCo*'s San Jose, Bulacan substation on July 11, 2008. The Petition sought to, among others, direct *PEMC* to adopt the *NPC*- Time-of-Use ("*TOU*") rate or the price determined through the *ERC*-approved price substitution methodology of *PEMC* as approved by the *ERC*, as basis for its billing during the period of the congestion and direct *NPC* and *PSALM* to refund the transmission line loss components of the line rentals associated with *NPC/PSALM* bilateral transactions from the start of *WESM* operation on June 26, 2006.

The *ERC* eventualy found merit in *MERALCO*'s petition and ruled that there is double charging. Thus, *NPC* was directed to refund line rental adjustment to *MERALCO*. Discussions ensued on the methodology for segregation of line rental into congestion cost and line losses from the start of the *WESM* operation. Amounts of refunds were determined and *NPC* was directed to refund amounts collected for the period November 2006 to August 2012. Additionally, *MERALCO* was directed to file a petition agains several successor generating companies ("*SGC*s") to recover the line loss collected by them. Among subsequent filings was a Petition for Review on Certiorari (With Urgent *TRO* and/or Writ of Preliminary Mandatory Injunction Applications) filed by *PSALM*. The *CA* dismissed the Petition for Certiorari and upheld the decision on the *ERC* with respect to the double charging. Another *MR* filed by *PSALM* was also denied by the *CA* with *PSALM* elevating the case to the *SC*. The motion has been given due course and is awaiting further action of the SC on the Petition as of May 4, 2026.

Petition for Dispute Resolution against SPPC, MPPCL, APRI, TLI, SPI and Sem-Calaca

On August 29, 2013, *MERALCO* filed a Petition for Dispute Resolution against *SPPC*, *MPPCL*, *APRI*, *TLI*, *SPI* and *Sem-Calaca.* Said Petition seeks the following: 1) refund of the 2.98% transmission line losses in the amount of ₱5.4 billion, inclusive of the ₱758 million line loss for the period September 2012 to June 25, 2013, from said *SGC*s; and 2) approval of *MERALCO*'s proposal to correspondingly refund to its customers the aforementioned line loss amounts, as and when the same are received from the *SGC*s, until such time that the said over-recoveries are fully refunded, by way of automatic deduction of the amount of refund from the computed monthly generation rate. On September 20, 2013, *MERALCO* received the *SGC*s' Joint Motion to Dismiss. On October 7, 2013, *MERALCO* filed its Comment on the said Joint Motion.

On October 8, 2013, *MERALCO* received the *SGC*s Manifestation and Motion, which sought, among other things, the cancellation of the scheduled initial hearing of the case, including the submission of the parties respective Pre-trial Briefs, until the final resolution of the *SGC*'s Joint Motion to Dismiss. On October 11, 2013, *MERALCO* filed its pre-trial brief. On October 14, 2013, *MERALCO* filed its Opposition to the *SGC*'s Manifestation and Motion. On October 24, 2013, *MERALCO* received the *SGC'*s Reply to its Comment on the Joint Motion to Dismiss. On October 29, 2013, *MERALCO* filed its Rejoinder. Thereafter, the *SGC*'s filed their Sur-Rejoinder dated November 4, 2013. As at May 4, 2026, the Joint Motion to Dismiss is pending resolution by the *ERC*.

Petition for Dispute Resolution with NPC on Premium Charges

On June 2, 2009, *MERALCO* filed a Petition for Dispute Resolution against *NPC* and *PSALM* with respect to *NPC*'s imposition of premium charges for the alleged excess energy it supplied to *MERALCO* covering the billing periods May 2005 to June 2006. The premium charges amounting to ₱315 million during the May-June 2005 billing periods have been paid but are the subject of a protest by *MERALCO*, and premium charges of ₱318 million during the November 2005, February 2006 and April to June 2006 billing periods are being disputed and withheld by *MERALCO*. *MERALCO* believes that there is no basis for the imposition of the premium charges. The hearings on this case have been completed. As at May 4, 2026, the Petition is pending resolution by the *ERC*.

SC TRO on MERALCO's December 2013 Billing Rate Increase

After several hearings, petitions and motions, on August 3, 2022, the *SC* affirmed the December 9, 2013 letter of the *ERC* approving *MERALCO*'s proposal to implement a staggered collection over three (3) months and also voided the *ERC*'s March 3, 2014 Order imposing a regulated rate for the said period. A subsequent *MR* was denied with finality by the *SC* on October 11, 2022.

With the foregoing, *MERALCO* and *IEMOP* completed the reconciliation of the final amount to be recovered and a joint letter has been sent to the *ERC* on March 12, 2024 for implementation of the *SC* Decision. As of May 4, 2026, the parties are awaiting the decision of the *ERC* on the recovery of such pass-through charges.

ERC IU Complaint

On December 26, 2013, the *ERC* constituted the *IU* under its Competition Rules to investigate possible anti-competitive behavior by the industry players and possible collusion that transpired in the *WESM* during the supply months of November 2013 and December 2013.

Several proceedings ensued at the *ERC, CA* and the *SC*. In a resolution dated September 29, 2021, the *SC* affirmed with the *CA* that the *ERC* has jurisdiction over the cases. In the meantime, the *ERC* resumed hearing to discuss updates and developments related to the case. Pre-trial conferences have been conducted and the *ERC* is in the process of resolving the pending motions filed by the GenCos and *MERALCO*. As of May 4, 2026, the parties are awaiting further action by the *ERC*.

SC Petition on WESM Sales

On May 20, 2024, *MERALCO* received a copy of the Resolution dated April 3, 2024, issued by the *SC* requiring respondents *ERC, MERALCO* and *IEMOP* to file a comment on the Petition for Mandamus and Injunction against *ERC, MERALCO* and *IEMOP*. The Petition seeks to, among other things, compel the *ERC* to ban the purchase of electricity by *DU*s, like *MERALCO*, at the *WESM*. On June 10, 2024, *MERALCO* filed its Comment on the Petition. As at May 4, 2026, *MERALCO* awaits further action of the *SC* on the case.

Ombudsman Cases Against MERALCO Directors

Certain consumer groups charged the *MERALCO* directors and the *ERC* with alleged conspiracy on the misappropriation of bill deposits received from consumers. On May 18, 2018, the criminal complaint for syndicated estafa was dismissed but the case was referred to the *COA* for conduct of audit with respect to compliance therewith. A subsequent *MR* filed by the same consumer group was denied by the *SC*. Thereafter, the same consumer group filed an Urgent Motion for Immediate Execution dated September 21, 2018 praying that the Ombudsman issue a Writ of execution to implement the Resolution dated May 18, 2018. As at May 4, 2026, the matter is still pending.

Petition for Dispute Resolutions

Certain customers have filed a petition with the *ERC* and initiated arbitration proceedings over disputed billings, both of which remain pending, with the appointment of the arbitral tribunal still ongoing as at May 4, 2026.

Others

Management and its internal and external counsels believe that the probable resolution of these issues will not materially affect *MERALCO*'s financial position and results of operations.

30. Significant Contracts and Commitments

MERALCO

Independent Power Producers ("IPPs")

FGPC and *FGP*

MERALCO entered into separate 25-year *PPA*s with *FGPC* (March 14, 1995) and *FGP* (July 22, 1999) for a minimum net electric output of the Sta. Rita and San Lorenzo power plants, respectively, from the start of their commercial operations. The *PPA* for the Sta. Rita plant ended on August 17, 2025. There was an 11-day extension initially implemented and thereafter an Interim Extension through January 31, 2026, both duly approved by the *ERC*. On January 30, 2026, the *ERC* approved the Second Interim Extension of the *PPA* until June 25, 2026 under the same terms and conditions for the implementation of the First Interim Extension. The *PPA* for the San Lorenzo plant ends on October 1, 2027.

QPPL

The 25-year *PPA* of *MERALCO* with *QPPL* ended on May 31, 2025.

See *Note 11 – Other Noncurrent Assets.*

Committed Energy Volume to be Purchased

The following are forecasted purchases from/payments to *FGPC* and *FGP* corresponding to the Minimum Energy Quantity ("*MEQ*") provisions of the contracts. The forecasted fixed payments include capacity charge and fixed operation and maintenance cost escalated using the *U.S.* and Philippine Consumer Price Index.

Year	MEQ	Equivalent Amount
	(In million kwh)	*(In Millions)*
2027	3,357	5,816

SBPL

MERALCO and *SBPL* have an *ERC*-approved *PSA* for a period of 20 years from the start of commercial operations up to September 25, 2039.

PEDC

The 20-Year *PSA* between *MERALCO* and *PEDC* was ultimately terminated after *PEDC* notified *MERALCO* of its decision to cease energy supply, citing the *ERC*'s failure to act on its Urgent Motion for Contract Adjustment amid rising coal prices driven by global geopolitical developments.

The *ERC*, though, approved *PEDC*'s application for recovery of actual fuel costs totaling ₱380 million representing the unrecovered losses from September 26, 2022 to December 4, 2022. The collection and settlement by *MERALCO* from its consumers shall begin with the March 2026 billing period.

First Bulacan

MERALCO and *First Bulacan* have an *ERC*-approved *PSA* for a period of 20 years from the start of commercial operations until 2031.

Solar Philippines Tarlac Phase 1

MERALCO has a 20-year *PSA* with *Solar Philippines Tarlac* for the purchase of up to 85 *MW* of electric output from Phase one (1) of its solar plant in Tarlac until July 2038. The *ERC* approved a 2% annual escalation but left the adjustment of the timelines set under the *PSA* to the discretion of *MERALCO* and *Solar Philippines Tarlac*. The parties have jointly filed its application with the *ERC* and is awaiting final decision of the *ERC*.

Solar Philippines Tarlac Phase 2

MERALCO has a 20-year *PSA* with *Solar Philippines Tarlac* for the purchase of up to 50 *MW* of electric output from Phase 2 of its solar plant in Tarlac, which was filed with the *ERC* for approval. However, the 5-year approval period had lapsed without any resolution from the *ERC. Solar Philippines Tarlac* eventually filed a Motion to Withdraw the Application of the PSA on the basis of the *PSA*'s Longstop Date provision. This Motion to Withdraw Application remains pending the decision of the *ERC. Solar Philippines Tarlac* is of the position that it has no obligation to supply *MERALCO* for the additional 50 *MW* capacity.

SPI, AC Energy and SPPC – Baseload PSAs

MERALCO's baseload capacities with *SPI* (330 *MW*) and *SPPC* (670 *MW*) were terminated when the *ERC* denied the Joint Motions for the Price Adjustment on Notices of *CIC* of *SPI* and *SPPC*. Cases were filed with the *CA*, and the *ERC* elevated the case to the *SC* when the *CA* set aside the order of the *ERC* that denied the Joint Motions for Price Adjustment. On July 4, 2024, the *SC* issued a Resolution denying the *ERC*'s Motion for Reconsideration.

Thereafter, the *ERC* approved the two (2) *CIC* claims of *SPI* and *SPPC* totalling ₱34.2 billion. *CIC* 1 totalling ₱5 billion is billable to customers beginning September 2025 billing period over six (6) months until full recovery. *CIC* 2 on the other hand totaling ₱29.3 billion is recoverable over 36 months starting the March 2026 billing period.

AC Energy filed similar *CIC* claims totaling ₱2.56 billion. On January 26, 2026, the *ERC* granted *AC Energy*'s Updated and Supplemental Joint Motions for Price Adjustment and allowed *AC Energy* to recover from *MERALCO* customers the amount of ₱1.75 billion, over 12 months starting the March 2026 billing period.

First Gen Hydro Power Corporation ("First Gen Hydro"), AC Energy and SPPC – Mid-merit PSAs

MERALCO signed three (3) *PSA*s for mid-merit capacity with *First Gen Hydro* for 100 *MW, AC Energy* for 110 *MW*, and *SPPC* for 290 *MW*. On January 30, 2020 and March 16, 2020, *MERALCO* received *ERC* orders granting provisional authority to implement *MERALCO*'s *PSA*s for mid-merit capacity with *AC Energy,* and *First Gen Hydro* and *SPPC*, respectively. In its Orders dated November 26, 2020, the *ERC* granted interim relief authorizing continued implementation of the *PSA*s, until revoked or until the issuance of a final decision by the *ERC.* As at May 4, 2026, the three (3) *PSA* applications are pending final decision by the *ERC*.

MTerra Solar

MERALCO has a 20-year *PSA* with *MTerra Solar* for 850 *MW* renewable energy mid-merit capacity. The *ERC* approved the *PSA* on August 8, 2023, with notification of acceptance by *MTerra Solar* upon Receipt of the approval in December 2023. Phase 1 of *MTerra Solar* consisting of 650 *MW* capacity is expected to commence commercial operations in August 2026.

EERI, GNPD and MPGC – 2024 Baseload PSAs

MERALCO has three (3) *PSA*s with a) *EERI* with commercial operations date in December 2024 for 1,200 *MW*, b) *GNPD* with commercial operations date in May 2025 for 300 *MW,* and c) *MPGC* with commercial operations date in May 2025 for 300 *MW*. The *ERC*, in a Notice of Resolution dated November 26, 2024 (for the *PSA* with *GNPD*); Notice of Resolution dated December 10, 2024 (for the *PSA* with *EERI*) and final Decision dated November 26, 2024 (but received by *MERALCO* on May 30, 2025) (for the *PSA* with *MPGC*) has approved the *PSA*s with *EERI*, *GNPD* and *MPGC*. On December 26, 2024 and April 26, 2025, *EERI* and *GNPD,* respectively, commenced supply to *MERALCO.* On June 2, 2025, *MPGC* commenced supply to *MERALCO*. As at May 4, 2026, the formal/complete final decisions approving the said *PSA*s have already been issued by the *ERC*.

SPPC – 2024 Baseload PSA

On February 5, 2022, *MERALCO* signed a *PSA* for baseload capacity with *SPPC* for 1,200 *MW*. On June 11, 2024, the *ERC* released an Order (dated May 9, 2024) granting provisional authority to implement the *PSA* under several conditions, which includes implementation covering only 910 *MW* capacity, pending *ERC* resolution of the Joint Manifestation dated February 23, 2024 in *ERC* Case No. 2019-080RC on assignment of the 290 *MW* capacity thereat from *SPPC* to *SPI*. *MERALCO* and *SPPC* proceeded to implement the 2024 1,200 *MW PSA* following the *ERC*'s provisional authority Order. On June 26, 2024, *MERALCO* and *SPPC* filed a Joint Motion for Partial Reconsideration which questioned the *ERC*'s provisional authority Order. In a Notice of Resolution dated March 19, 2025, the *ERC* granted the Joint Motion for Partial Reconsideration and the *ERC*'s provisional authority Order dated May 9, 2024 was amended to cover the entire contract capacity of 1,200 *MW*. As at May 4, 2026, the formal/complete order of the said Notice of Resolution dated March 19, 2025 is pending release by the *ERC*.

SRHI, Palauig Solar 1 Inc. ("PS1I") formerly Gigasol3, Inc. and Santa Cruz Solar Energy Inc. ("SCSEI") – Renewable Energy (RE) Mid-merit PSAs

Following conduct of *CSP*, *MERALCO* has three (3) renewable energy mid-merit supply *PSA*s with a) *SRHI* with operations effective date in March 2025 for 340 *MW*, b) *PS1I* with operations effective date in March 2025 for 139 *MW,* and c) *SCSEI* with commercial operations date in March 2026 for 21 *MW*. The joint applications for approval of *MERALCO*'s *PSA*s with *SRHI, PS1I* and *SCSEI* were filed with the *ERC* on September 23, 2024, September 23, 2024, and September 27, 2024, respectively. On September 10, 2025, the *ERC* promulgated the Decisions of even date for both the *PS1I* and *SRHI PSA*s approving with final authority the *PSA*s to be implemented as applied for, subject to conditions. On September 17, 2025, *SRHI* commenced supply to *MERALCO*. On December 2, 2025 and January 22, 2026, *MERALCO* filed Urgent Motions to Resolve with the *ERC*, asking the *ERC* to resolve with finality the *SCSEI PSA*. As at May 4, 2026, the parties are awaiting *ERC*'s final decision on the application for approval of the *SCSEI PSA*.

GNPD and Masinloc Power Co. Ltd. ("MPCL") – Baseload PSAs

Following conduct of *CSP*, *MERALCO* has two (2) baseload supply *PSA*s with *MPCL* for 500 *MW* and with *GNPD* for 100 *MW*, both with operations effective date in September 2025. The joint applications for approval of *MERALCO*'s *PSA*s with *GNPD and MPCL* were filed with the *ERC* on October 2, 2024. On August 22, 2025, the *ERC* issued an Order of even date granting Interim Relief to implement the *PSA* as applied for subject to conditions. On August 26, 2025, *GNPD* commenced supply to *MERALCO*. On September 25, 2025, *GNPD* filed with the *ERC* a Motion for Issuance of Final Authority. On January 14, 2026, the *ERC* promulgated the final decision for the *GNPD PSA*. As at May 4, 2026, the parties are awaiting the *ERC*'s final decision for the *MPCL PSA*.

GNPD – Mid-merit PSA

Following conduct of *CSP*, *MERALCO* has executed a mid-merit supply *PSA* with *GNPD* for 400 *MW* with operations effective date in September 2025. The joint application for approval of *MERALCO*'s *PSA* with *GNPD* was filed with the *ERC* on December 6, 2024. On June 5, 2025 and June 23, 2025, *MERALCO* filed a First and Second Urgent Motions to Resolve. On August 22, 2025, the *ERC* promulgated the Decision of even date approving with final authority the *PSA* to be implemented as applied for, subject to conditions. On August 26, 2025, *GNPD* commenced supply to *MERALCO*. As at May 4, 2026, the parties are awaiting *ERC*'s final decision on the applications.

Interim Power Supply Agreements ("IPSAs")

From 2017 to 2025, *MERALCO* entered into various *IPSAs*, emergency power supply agreements, and short-term *PSA*s with several suppliers to address temporary supply shortfalls arising from fuel supply disruptions, plant outages, regulatory delays, and court-issued injunctions affecting existing power supply contracts. These agreements were generally implemented under *DOE*-issued exemptions from the competitive selection process and were filed with the *ERC* for approval. Most of these contracts were short-term in nature and have already expired. As of May 4, 2026, several applications for approval and related regulatory matters remain pending with the *ERC*.

Clark Electric

Sem-Calaca

Clark Electric has a *PSA* with *Sem-Calaca*, the power generation company which owns, operates and maintains the 600 *MW* Batangas Coal-Fired Thermal Power Plant located in Calaca, Batangas for the supply of 20 *MW* of baseload power supply for a contract term of ten (10) years commencing on December 26, 2020.

The *ERC* approved the *PSA* between *Clark Electric* and *Sem-Calaca* through provisional authority in March 2021 and subsequently allowed its continued implementation by granting Interim Relief in February 2022 upon the authority's expiration.

SPDC

Clark Electric entered into a *PSA* with *SPDC* for the supply of 25 *MW* , which was implemented under *ERC*-granted provisional authority and subsequent interim relief. The *PSA* remained in effect until its termination on December 25, 2025.

SPI

Clark Electric has two (2) separate *PSA*s with *SPI*: (1) for the supply of 15 *MW* baseload contract capacity and associated energy beginning December 26, 2025, and (2) for the supply of 15 *MW* mid-merit contract capacity and associated energy beginning April 26, 2026. The corresponding provisional authorities to implement the *PSA*s were granted by the *ERC* on November 21, 2025 and March 3, 2026, respectively.

TransCo/NGCP

Clark Electric has a Transmission Service Agreement with *NGCP* for the provision of necessary transmission services in accordance with the *OATS* rules December 25, 2028.

Shin Clark Power

Temporary Power Supply Agreement ("TPSA") and Sale for Resale Agreement ("SRA")

Shin Clark Power entered into a *SRA* with *Clark Electric* to supply the entire power requirements of *NCC*, effective May 7, 2024 upon the expiration of its temporary *PSA* with another distribution utility. The initial approval of the *ERC* of the *SRA* excluded the Overhead Line Recovery Charge ("*OLRC"*). The *ERC* subsequently allowed the recovery of the Administrative and Overhead Line Recovery Charges, both prospectively and for the period from June 2024 to April 2025.

On September 18, 2025, the *ERC* approved the distribution tariff of *Shin Clark Power* at ₱4.0230 per *kWh*.

Supply and Equipment Loan Agreement with Shell Pilipinas Corporation ("Shell")

Panay Power has a Supply and Equipment Loan Agreement with *Shell*, whereby *Shell* will supply *Panay Power*'s requirements of petroleum products at prices based on a pre-agreed formula. In May 2023, following the decommissioning of units 1 and 2 on March 31, 2023 and December 31, 2022, respectively, *Panay Power* informed *Shell* of its intention to terminate the contract. As at May 4, 2026, the termination of the contract is ongoing discussion.

Long-term Coal Supply Agreements ("CSA")

In order to ensure that there is an adequate supply of coal to operate the power plants, the following operating plants entered into several long-term contracts with local and foreign coal suppliers:

PEDC

Supplier	Coal Type	Contract Duration	Price Basis	Quantity per Year
PT Sakti Nusantara Bakti	Indonesia	2022 - 2026	ICI4	220,000 MT
PT Mustika Indah Permai	Indonesia	2025-2027	ICI4	440,000 MT
Vitol Asia Pte. Ltd	Indonesia	2025 - 2027	GNewC/ICI4	165,000 MT
PT Bayan Resources TBK	Indonesia	2025-2027	GNewC/ICI4	220,000 MT
Semirara Mining and Power Corporation	Local	Jan-Dec 2026	Fixed Price	60,000 MT
Galaxy Energy & Resources Co. Pte. Ltd.	Indonesia	Jan-Dec 2026	ICI4	55,000 MT
Bulk Trading Far East Pte. Ltd.	Indonesia	Jan-Dec 2026	ICI4	55,000 MT

CEDC

Supplier	Coal Type	Contract Duration	Price Basis	Quantity per Year
PT Antang Gunung Meratus	Indonesia	2025-2026	GNewC/ICI4	220,000 MT
PT Bara Indah Sinergi	Indonesia	2025-2027	ICI4	110,000 MT
PT Bayan Resources	Indonesia	2025-2027	GNewC/ICI4	275,000 MT
Vitol Asia Pte. Ltd.	Indonesia	2025-2027	GNewC/ICI4	165,000 MT
Bulk Trading Far East Pte. Ltd.	Indonesia	Jan-Dec 2026	ICI4	110,000 MT

TPC

Supplier	Coal Type	Contract Duration	Price Basis	Quantity per Year
PT Antang Gunung Meratus	Indonesia	2025-2026	GNewC/ICI4	55,000 MT
PT Bayan Resources	Indonesia	2026-2027	GNewC/ICI4	55,000 MT
PT Bara Indah Sinergi	Indonesia	2025-2026	GNew/ICI4	55,000 MT

MGen RES

Supplier	Coal Type	Contract Duration	Price Basis	Quantity per Year
Bulk Trading Far East Pte Ltd	Indonesia	Jan-Dec 2026	ICI4	55,000 MT
LX International	Indonesia	Jan-Dec 2026	ICI4	55,000 MT

Cagbalete Island Microgrid Electrification Expansion Capital Expenditure Project ("*Cagbalete Microgrid Project*")

On July 23, 2019, the Cagbalete Microgrid pilot project was energized with 60 *kW PV* system, 150 *kWh* battery energy storage system and two (2) units of 30 *kW* diesel generators, which shall provide 24 x 7 power to the residents of the island.

MERALCO filed an application with the *ERC* to implement the Cagbalete Microgrid Expansion Project, to allow *MERALCO* serve the rest of the residents in Cagbalete Island. This was subsequently withdrawn and remains pending further regulatory action. Pursuant to the Revised Microgrid Law *IRR*, *MERALCO* later notified the *DOE* of its intent to develop a *DU* microgrid system for Cagbalete Island, and received authority to proceed. As of January 25, 2026, *MERALCO* is preparing the necessary application with the *ERC* to secure required approvals.

Lease Agreement with CDC

Clark Electric has a lease agreement through 2032 with *CDC* covering land where its structures and offices are located.

In addition, there are two (2) supplemental lease agreements for an allocated space in *CDC*-owned Dolores Substation 2 and Clark-Mabalacat-Angeles Road Substation.

The annual lease payment is equivalent to ₱0.12 per *kWh* sold by *Clark Electric*.

Estimated future minimum guarantee fees to be remitted to *CDC* are as follows:

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
	In millions	
Within one (1) year	**₱92**	₱91
After one (1) year but not more than five years	**518**	513
	₱610	₱604

IMC with PELCO II

Comstech has an *IMC* with *PELCO II* for a period of 20 years until 2034. *PELCO II* is an electric cooperative with franchise to distribute electric power in certain municipalities of Pampanga.

Pursuant to the *IMC*, *Comstech* shall render technical and management services for the operation, maintenance and management and improvement of *PELCO II*'s electric distribution. As consideration for its technical, consultancy and management services, *Comstech* is entitled to a performance-based remuneration and management fee based on a certain percentage of the operating revenues of *PELCO II*.

Agreement and Registration with PEZA

MERALCO operates the distribution system of *CEZ* under a concession agreement with *PEZA* for 25 years until May 2039. It operates under a Certificate of Registration No.10-01-U from *PEZA.*

MERALCO has a tripartite agreement with *PEZA* and *FNPC* for 77 *MW* power supply agreement beginning until June 25, 2026, reflecting the second interim extension approved by the *ERC*.

Joint Venture Agreement with NCC

Shin Clark Holdings has a Joint Venture Agreement with the *BCDA* for the construction, operation and maintenance of the electric distribution system in *NCC*. *Shin Clark Holdings* completed the construction of Phase 1A of the Interim Electrical Distribution facilities, which consists of (i) a 33 *MVA*, 69 *kV*-13.8 *kV* interim substation; (ii) 2.2 kilometers of 13.8 *kV* overhead lines; and (iii) 1.5 kilometers of 13.8 *kV* underground line. The joint venture company, *Shin Clark Power*, was incorporated in May 2022 and was granted a *CPCN* by the *ERC* to operate as a *DU* until September 2044.

On October 15, 2024, *Shin Clark Power* filed an Application for its initial distribution rate structure to its various customer classes. On September 18, 2025, the *ERC* approved the Application, granting *Shin Clark Power* to collect an effective average rate of ₱4.0230 per *kWh*. As at May 4, 2026, *Shin Clark Power* filed a Motion for Partial Reconsideration which is pending before the *ERC*.

31. Earnings Per Share Attributable to Equity Holders of the Parent Company

Basic and diluted earnings per share are calculated as follows:

	Unaudited	
	For the Three Months Ended March 31	
	2026	2025
	(Amounts in millions)	
Net income attributable to equity holders of the Parent (a)	**₱10,833**	₱10,448
Weighted average common shares outstanding (b)	**1,127**	1,127
Per Share Amounts:		
Basic and diluted earnings per share (a/b)	**₱9.61**	₱9.27

Basic and diluted earnings per share amounts are calculated by dividing net income for the period attributable to common shareholders of the parent company by the weighted average number of

common shares outstanding during the period. There are no potential dilutive common shares in 2025 and 2024.

There are no other transactions involving common shares or potential common shares between the reporting date and the date of completion of these consolidated financial statements.

32. **Other Matters**

RCOA

The transition period for *RCOA* commenced on December 26, 2012 in accordance with the joint statement released by the *ERC* and the *DOE* on September 27, 2012 and the Transitory Rules for the Implementation of *RCOA* (*ERC* Resolution No. 16, Series of 2012). The commercial operations of *RCOA* started on June 26, 2013.

On December 28, 2020, the *ERC* released Resolution No. 12, Series of 2020, entitled "A Resolution Prescribing the Timeline for the Implementation of Retail Competition and Open Access ("*RCOA*")". In said Resolution, the *ERC* expanded the coverage of *RCOA* for end-users with an average monthly peak demand of at least 500 *KW* in the preceding 12 months, on a voluntary basis. On August 15, 2025, the *ERC* released Resolution No. 22, Series of 2025, entitled "A Resolution Lowering the Eligibility Threshold for Retail Competition and Open Access ("*RCOA*") and Retail Aggregation Program ("*RAP*")". In said Resolution, the *ERC* lowered the demand threshold for eligibility to the Competitive Retail Electricity Market ("*CREM*")/*RCOA* to an average monthly peak demand of at least 100 kW effective June 26, 2026.

On September 24, 2021, *MERALCO* received a copy of the *SC* Decision wherein, among other matters, the *ERC* was also directed to promulgate the supporting guidelines to *DOE* Circular No. DC 2017-12-0013 and DC 2017-12-0014. The *ERC* promulgated *ERC* Resolution No. 13, Series of 2024 entitled "A Resolution Adopting the Omnibus Rules for Customer Choice Programs in the Retail Market", which consolidated the relevant regulations of the *ERC* on the different Customer Choice Programs, i.e., *RCOA* (now *CREM*), *GEOP* and Aggregation. The Omnibus Rules became effective on September 6, 2024.

Pre-Emptive Mitigating Measure in the WESM

On November 26, 2025, the *ERC* promulgated *ERC* Resolution No. 26, Series of 2025, which amended *ERC* Resolution No. 07, Series of 2021 and updated the Secondary Price framework based on 2023-2025 market data. The revised rules retained the 72-hour rolling average period and set the secondary price cap at ₱7,423 per *mWh*, triggered once the Cumulative Price Threshold ("*CPT*") of ₱12,413 per *mWh* is breached. The island/regional Secondary Price Cap ("*SPC*") mechanism is maintained for use during grid interconnection outages. Additional Compensation is now limited to oil-based and *LNG* plants whose verified short-run marginal costs exceed the *SPC*, with all other technologies excluded. The *ERC* also established that the *SPC* parameters, including the *SPC* value, *CPT*, and rolling period will undergo review every five years, or earlier if warranted.

PEZA – ERC Jurisdiction

On September 13, 2007, *PEZA* issued guidelines which effectively bestowed upon itself franchising and regulatory powers in Ecozones operating within the legislative franchise areas of *DU*s which are under the legislatively-authorized regulatory jurisdiction of the *ERC*. The guidelines are the subject of an injunction case filed by the *DU*s in *RTC*-Pasig.

MERALCO, PEZA and *PEPOA* submitted their Tripartite Agreement for approval of the *RTC*-Pasig. In a Decision dated July 3, 2015, the *RTC*-Pasig approved the Compromise Agreement between *PEZA*, *PEPOA* and *MERALCO*. In the hearing on February 10, 2016, the *RTC*-Pasig dismissed the petition upon motion by *PEZA*. The *ERC* filed a *MR* which is pending resolution by the *RTC*-Pasig.

Purchase of Subtransmission Assets ("*STAs*")

MERALCO and *TransCo* sought regulatory approval for the acquisition of Batch 4 sub-transmission assets, which was denied by the *ERC* and became the subject of prolonged regulatory, appellate, and *SC* proceedings, with a motion for reconsideration currently pending. Separately, *MERALCO* pursued an interpleader case relating to the payment and transfer of certain *TransCo* assets, which was ultimately remanded for proper disposition and attained finality. In December 2020, *MERALCO* and *TransCo* executed the deeds of absolute sale covering the Batch 2 and Batch 4 assets, resulting in *MERALCO*'s full acquisition and possession of these assets and corresponding adjustments to transmission charges effective December 2021.

On December 15, 2016, *MERALCO* and *TransCo* filed a joint application for the approval of the Batch 3 contract to sell with the *ERC*. Hearings were conducted on August 10, 2018 and October 15, 2018. The *ERC* has yet to set the next hearing of the case.

FiT

Pursuant to *RA* No. 9513, or the Renewable Energy Act of 2008 ("*RE* Act"), the *ERC* issued Resolution No. 16, Series of 2010, Adopting the *FiT* Rules, on July 23, 2010. As defined under the *FiT* Rules, the *FiT* system is a renewable energy policy that offers guaranteed payments on a fixed rate per *kWh* for electricity from wind, solar, ocean, hydropower and biomass energy sources, excluding any generation for own use.

To fund the *FiT* payments to eligible *RE* developers, a *FiT-All* charge shall be imposed on all end-users. The *FiT-All* will be established by the *ERC* upon petition by *TransCo*, which had been designated as the *FiT* Fund Administrator.

TransCo applied for *FiT-All* rates with the *ERC*, the *ERC* approval and status of applications are indicated in the table below:

Year	Applied Rate per *kWh*	Approved Rate per *kWh*	Date Approved / Status
2019	₱0.2780	₱0.0495	October 28, 2019
2020	₱0.2278	₱0.0983	November 23, 2020
2021	₱0.1881	₱0.0983	August 17, 2022
2022	₱0.3320 or ₱0.3165 (alternative rate in consideration of *Covid-19*)	₱0.0364	August 30, 2022
2023	₱0.2382	₱0.0838	March 20, 2024
2024	₱0.0867	₱0.1189	February 19, 2025
2025	₱0.1006	₱0.2073	October 22, 2025
2026	₱0.1488	₱0.2011	December 26, 2025

The *FiT* regime has been subject to various regulatory and judicial actions including periodic rate adjustment and temporary suspension of collections.

Renewable Portfolio Standards (RPS)

In accordance with the *RE* Act, the *DOE* issued Department Circular No. DC2017-12-0015 "Promulgating the Rules and Guidelines Governing the Establishment of the Renewable Portfolio Standards for On-Grid Areas" or the *RPS* Rules on December 22, 2017. In compliance with the *RPS* Rules, *MERALCO* has been submitting its *RPS* form to the *DOE* on an annual basis. The *RPS* form contains *MERALCO*'s computation of its requirements, as well as plans to comply with the requirements. *MERALCO* was approved by *PEMC* as a mandated participant in the Renewable Energy Market, which has since commenced full commercial operations.

On May 23, 2022, the *DOE* issued Department Circular No. 2023-05-0015 "Prescribing the Amendments to Department Circular No. 2017-12-0015 or the Renewable Portfolio Standards (*RPS*)", increasing the minimum annual *RE* increment (*Km*) from one percent (1%) to 2.52% starting 2023 compliance year to meet the aspirational targets of increasing the *RE* share in the power generation mix. *MERALCO* fully complies with its *RPS* obligations while minimizing the rate impact to its customers.

Green Energy Option Program (GEOP)

Pursuant to the Renewable Energy Act, the *DOE* issued the rules and supplemental guidelines establishing the Green Energy Option Program ("*GEOP"*), while the *ERC* subsequently adopted the implementing rules. As at March 31, 2026, *MERALCO* has processed the switching of 714 customers to *GEOP*.

On January 26, 2026, the *DOE* issued Department Circular No. DC2026-01-002 "Promulgating the Revised Rules and Guidelines Governing the Implementation of the Green Energy Option Program ("*GEOP*")". The Department Circular expands *GEOP* eligibility by lowering the minimum threshold from 100 *kW* to 50 *kW*. It likewise introduces aggregation for end-users whose individual demand falls below 50 *kW*, allowing them to collectively participate in the program. However, unlike the Retail Aggregation Program ("*RAP*"), *GEOP* aggregation is limited to participants located within a contiguous area. The Department Circular takes effect fifteen (15) days after its publication on February 6, 2026 in the Daily Tribune and BusinessWorld.

Recovery of NPC Stranded Contract Costs

In an Order dated May 22, 2018, the *ERC* approved *PSALM*'s petition for the recovery of *NPC*'s stranded contract costs portion of the universal charge ("*UC-SCC*"). Accordingly, *PSALM* was authorized to recover the stranded contract costs for Luzon, Visayas and Mindanao grids totaling ₱8,547 million with a monthly rate of ₱0.1938 per *kWh* starting May 2018 billing period until the full amount has been recovered.

On January 14, 2019, *MERALCO* received a letter dated December 28, 2018 from *PSALM* advising *MERALCO* to cease the implementation of the collection of the ₱0.1938 per *kWh* for the recovery of the additional *SCC* effective January 2019 as it already recovered the full amount of the stranded contract costs. This was after *MERALCO* had already completed the billing program for January 2019. Accordingly, on February 6, 2019, *MERALCO* wrote the *ERC* proposing to reverse the said collections of the additional *UC-SCC*. On February 7, 2019, *MERALCO* received a letter from the *ERC* which allowed the full reversal of the subject *UC-SCC* in its February billing equivalent to ₱0.3876 per *kWh*, without prejudice to further validation by the *ERC* as to the final amounts due.

In its letter dated January 15, 2020, *MERALCO* informed the *ERC* that it accumulated additional total excess *UC-SCC* collections in the amount of ₱545 million and proposed to implement another refund to its customers in the amount of ₱0.1453 per *kWh* for the month of February 2020. In its letter dated February 6, 2020, the *ERC* directed *MERALCO* to implement the refund, subject to post-validation. *MERALCO* was then directed to provide additional information as well as status report to the *ERC* with respect to the implementation of refund. *MERALCO* implemented the refund starting its March 2020 billing.

On March 4, 2020, *MERALCO* received a letter dated March 3, 2020, directing it to comment on a petition filed by a consumer group which sought to stop the colletion of *UC-SCC* and stranded debts portion of the universal charge ("*UC-SD*") from consumers because of the Murang Kuryente Act. *MERALCO* filed its comment on March 16, 2020.

In a Decision dated April 10, 2019, the *ERC* approved with modification *PSALM*'s petition for the availment of the *NPC*'s stranded contract costs portion of the universal charge for calendar year 2014. *PSALM* is hereby authorized to recover the *UC-SCC* for Luzon, Visayas and Mindanao grids totaling ₱5,117 million with a monthly rate of ₱0.0543 per *kWh* within a period of 12 months.

In separate Orders dated May 28, 2020, the *ERC* dismissed *PSALM*'s petitions for the availment of the *NPC*'s stranded contract costs portion of the universal charge for calendar years 2015 to 2018 due to the promulgation of the Murang Kuryente Act.

Net Metering Program

The *RE* Act mandates the *DU*s to provide the mechanism for the "physical connection and commercial arrangements necessary to ensure the success of the *RE* programs", specifically the Net Metering Program. The *RE* Act defines Net Metering as "a system, appropriate for distributed generation, in which a distribution grid user has a two-way connection to the grid and is only charged for his net electricity consumption and is credited for any overall contribution to the electricity grid". By their nature, net metering installations will be small (less than 100 *kW*) and will likely be adopted by households and small business end-users of *DU*s.

The *ERC* issued on July 3, 2013 its Resolution No. 09, Series of 2013, entitled, "A Resolution Adopting the Rules enabling the Net Metering Program for Renewable Energy". The Rules will govern the *DU*s' implementation of the Net Metering Program. Included in the Rules are the interconnection standards that shall provide technical guidance to address engineering, electric system reliability, and safety concerns for net metering interconnections. However, the final pricing methodology to determine the rate at which energy exported back to the distribution system by Net Metering Program participants will be addressed in another set of rules by the *ERC* in due course. In the meantime, the *DU*s' blended generation cost equivalent to the generation charge shall be used as the preliminary reference price in the net metering agreement. The Rules took effect on July 24, 2013. Under *ERC* Resolution No. 6, Series of 2019, entitled, "A Resolution Adopting the Amendments to the Rules enabling the Net Metering Program for Renewable Energy", the *ERC* adopted amendments to the Net Metering Rules. On June 23, 2020, the *ERC* issued Resolution No. 5, Series of 2020 entitled, "A Resolution Clarifying *ERC* Resolution No. 6, Series of 2019, entitled "A Resolution Adopting the amendments to the Rules Enabling the Net-Metering Program for Renewable Energy". As at March 31, 2026, *MERALCO* has already installed 21,822 meters and energized 21,715 net metering customers.

Interruptible Load Program ("*ILP*")

In an *ERC* Order dated April 11, 2014, the *ERC* approved with modification *MERALCO*'s request that it be allowed to adopt and implement the *ILP*. *ILP* protocols, compensation and recovery mechanism are governed by *ERC* Resolution No. 5, Series of 2015 "A Resolution Adopting the Amended Rules to Govern the Interruptible Load Program", *DOE* Circular No. DC2015-06-0003 "Providing the Interim Manner for Declaring Bilateral Contract Quantities in the Wholesale Electricity Spot Market and Directing the Philippine Electricity Market Corporation to Establish Necessary Protocols to Complement the Interruptible Load Program" and *ERC* Resolution No. 3, Series of 2019 "A Resolution Clarifying Section 3, Article III of the Amended Interruptible Load Program Rules".

As at March 31, 2026, there are 100 companies with a total committed de-loading capacity of 526.16 *MW* that have signed up with *MERALCO*, *MPower* and with other retail electricity suppliers as *ILP* participants.

Long-Term Indebtedness Application

On June 25, 2015, *MERALCO* filed an application, with prayer for provisional authority, for continuing authority to (a) issue bonds or other evidence of indebtedness for as long as it maintains 50:50 long-term debt to equity ratio; and (b) whenever necessary, to mortgage, pledge or encumber any of its property to any creditor in connection with its authority to issue bonds or any other evidence of long-term indebtedness. *MERALCO* filed a Motion to withdraw the application without prejudice to its refiling at a later date. In an Order dated March 22, 2016, the *ERC* granted *MERALCO*'s Motion to Withdraw but still required *MERALCO* to submit certain documents. *MERALCO* filed a Motion for Partial Reconsideration questioning the requirement which is pending before the *ERC*. As at May 4, 2026, the *ERC* has yet to resolve *MERALCO*'s Motion for Partial Reconsideration.

On October 29, 2019, *MERALCO* filed an application, with prayer for provisional authority, for continuing authority to (a) issue bonds or other evidence of indebtedness; and (b) whenever necessary, to mortgage, pledge or encumber any of its property to any creditor in connection with its authority to issue bonds or any other evidence of long-term indebtedness. *MERALCO* filed a Motion to Withdraw the Application which was granted by the *ERC* in its Order dated September 8, 2025.

CSP Requirement for PSAs

On July 19, 2023, the *DOE*'s new *CSP* policy under Department Circular No. DC2023-06-0021 ("*2023 CSP Circular*") took effect. The *2023 CSP Circular* requires issuance by *DOE* of a Certificate of Conformity prior to commencement of a CSP. It is also provided that *CSP*s shall be consistent with the latest and duly accepted *DDP* and posted *PSPP*.

On October 23, 2023, the *ERC* promulgated its *Resolution No. 16, Series of 2023 ("ERC CSP Guidelines").* The *ERC CSP Guidelines* provided for a maximum term of *PSA*s of ten (10) years for financial *PSA*s, fifteen (15) years for physical *PSA*s and twenty (20 years) for physical *PSA*s where the nominated plants are renewable energy power plants. *PSA* templates, containing minimum terms and conditions, for financial and physical *PSA*s were also provided in the *ERC CSP Guidelines. DU*s may include additional contractual terms and conditions in their *PSA*s consistent with their terms of reference and the *ERC CSP Guidelines.* Under the *ERC CSP Guidelines*, the entire process of the *CSP,* including the award of contract, shall be completed within one hundred eighty (180) calendar days from the first publication of the Invitation to Bid.

Under the *ERC CSP Guidelines,* direct negotiation is allowed after at least two (2) failed *CSP*s.

Termination of the *PSA,* other than due to expiration of the term, requires approval by the *ERC* under the *ERC CSP Guidelines*.

EPSAs are allowed to be immediately executed and implemented under the *ERC CSP Guidelines* provided certain conditions are present.

SC Petitions on CSP

On September 5, 2019, representatives of the *Bayan Muna* partylist filed a petition with the *SC* claiming that the *2018 DOE Circular*, which repealed portions of the *2015 CSP Circular*, is void for violating policies/provisions intended to protect consumers under *EPIRA* and the Constitution (the "*Bayan Muna Petition*"). The *Bayan Muna Petition* also sought for the issuance of *TRO* and/or writ of preliminary injunction to prevent continuation of the on-going *CSP*s of *MERALCO* and some electric cooperatives. On December 17, 2019, *MERALCO* filed its Comment to the *Bayan Muna Petition*. As at May 4, 2026, the Petition remains pending before the *SC*.

True-up Adjustments of Fuel and Purchased Power Costs ("TAFPPC") and Foreign Exchange-Related Costs ("TAFxA")

On June 20, 2017, the *ERC* issued a consolidated Decision in *ERC* Case Nos 2011-115 RC, 2012-067 RC, 2013-092 RC, 2014-098 RC and 2015-124 RC authorizing *PSALM* to recover, within a 60-month period, the amount of ₱3,592 million in the Luzon grid, among others, as part of the *TAFPPC* and *TAFxA*; and directed all distribution utilities to comply with the directive.

On January 10, 2018, *MERALCO* filed a Motion for Partial Reconsideration. In February 2023, the amount was fully refunded. As at May 4, 2026, the *ERC* has yet to act on the Motion.

Clean Air Act

The Clean Air Act and the related *IRR* contain provisions that have an impact on the industry as a whole and to *TPC*, *PPC*, *GRPI*, *PEDC* and *CEDC* ("the Operating Subsidiaries of *GBPC*") in particular, that need to be complied with within 44 months from the effectivity date or by July 2004. Based on the assessment made on the Operating Subsidiaries of *GBPC*'s existing facilities, the Operating Subsidiaries of *GBPC* believe that they have complied with the provisions of the Clean Air Act and the related *IRR*.

Energy Regulation (ER) 1-94

Based on *ER 1-94* and the *IRR* of the *EPIRA*, generation companies are mandated to provide benefits to its host communities, equivalent to ₱0.01 per *kWh* of energy generated and sold. The operating subsidiaries of *GBPC* accrue the required benefits to their host community (included under "Trade payables and other current liabilities" account in the consolidated statements of financial position) prospectively from the date of effectivity of *ER 1-94*. Such amount accrued shall be remitted to the trust account of the host *LGU*s and *DU*s, subject to audit by the *DOE*. On October 25, 2025, the *DOE* released Department Circular No. DC2025-10-0023, entitled "Promulgating the Enhanced Policy to Rationalize the Provision of Benefits to Communities Hosting Energy Generation and Resource Development Facilities, Including Generating Facilities with Integrated Energy Storage System Facilities, Amending Rule 29 (A) of the Implementing Rules and Regulations of Republic Act No. 9136". In said Department Circular, *MGSP*s were exemptged from from *ER* financial obligations and generation companies' *ER* financial obligation was increased from P0.01 per *kWh* to P0.03 per *kWh*.